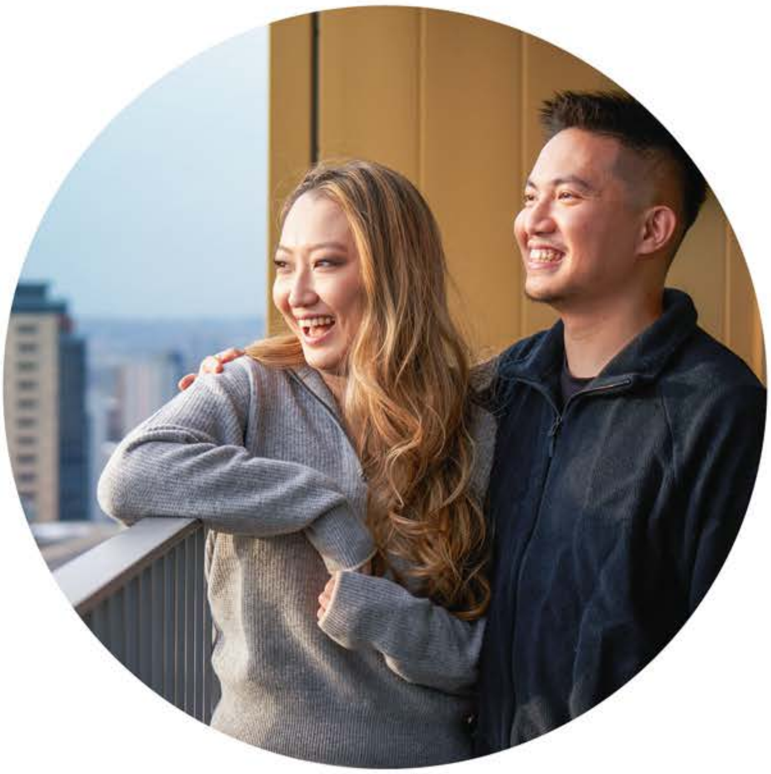
For the future.

Pension Insurance Corporation Group Limited

Annual Report and Accounts 2024



We're securing pensions for our policyholders and shaping a positive future.

We're for a future where individuals, businesses and communities flourish.

We're for infrastructure and housing, prosperous lives and a dynamic economy.

For policyholders, for families, for communities.

For the future.

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
- Climate Report (TCFD)
- Climate Report (TCFD) - Basis of Reporting
- PIC Company Report
- Investor Results Presentation

Recent awards

Our clients include

2024 Highlights

Solvency ratio
237%
2023: 211%

Financial investments
£50.9bn
2023: £46.8bn

Gross premiums written
£8,064m
2023: £6,949m

Total number of policyholders
397,100
2023: 339,900

Equity own funds[1]
£5,800m
2023: £5,971m

Total pensions paid
£2.2bn
2023: £2.1bn

Profit before tax
£371m
2023: £303m

Policyholder satisfaction
99.3%
2023: 99.3%

IFRS Adjusted operating profit before tax[1]
£746m
2023: £893m

Total UK direct investments to FY2024
£13.8bn
2023: £13.0bn

IFRS Adjusted equity[1]
£6,500m
2023: £6,451m

Employee pride in working for PIC
93%
2023: 92%

Total 2024 dividends declared
£613m
2023: £147m

In August 2024, Fitch Ratings affirmed PIC's A+ (Strong) Insurer Financial Strength rating
A+

1. The Group uses a range of alternative performance measures ("APMs") to assess the financial performance and position of the Group. The reconciliation to their closest IFRS or Solvency II measure are as follows:
   - Equity own funds: see page 71
   - IFRS Adjusted operating profit before tax: see page 66
   - IFRS Adjusted equity: see page 65

All mentions of Solvency II throughout the PICG Annual Report and Accounts 2024 refer to the UK solvency regime as modified by the PRA's 2024 reforms.

The principal subsidiaries of Pension Insurance Corporation Group Limited ("PICG") are: Pension Insurance Corporation plc ("PIC"), the Group's regulated insurer; Pension Services Corporation Limited, the Group's service company; and PIC Holdings Limited, a holding company. This Annual Report is for PICG, but reference is made to PIC where it is the activity of the insurance company being reported on. Pension Insurance Corporation Group Limited is incorporated and registered in England and Wales under company number 9740110. Its registered office is at 22 Ropemaker Street, London EC2Y 9AR.

PIC at a glance

Who we are

PIC has a single purpose: to pay the pensions of our current and future policyholders.

We are a specialist insurer, working within the UK pension risk transfer ("PRT") market. We are major investors in UK infrastructure and housing.

Our strategic objectives

To continue building a secure and sustainable business

To carry on leading as a responsible corporate citizen

To keep on driving long-term value growth

For more information, see our Strategic objectives section on **pages 14-15**

Our values

Our values – resilient, adaptable and loyal - are the principles underlying our culture, dictating the behaviours which allow us to fulfil our purpose and drive value for our shareholders.

They encourage diverse perspectives and a leadership mentality among our talented employees.

They are PIC's way of doing things.

Resilient

Adaptable

Loyal

Our culture

Our customers are our priority

We value all of our stakeholders and work hard to provide exceptional service to them all, including policyholders, trustees and corporate sponsors.

We listen to them and are responsive to their requirements. In short, our customers are our priority.

Our people ensure we stand out from the crowd

PIC's culture has been nurtured over the years to ensure that each of us is focused on this priority.

It has evolved as the Company has grown, supporting our journey to be a leader in a dynamic and important industry, one which is responsible for securing the pension benefits of more than a million people, as well as channelling tens of billions of pounds into the UK economy.

For more information, see Our people and culture section on **pages 50-53**

PIC at a glance (continued)

PIC generates long-term social value ...

by taking care of our customers ...

Pension fund members of defined benefit ("DB") schemes become our policyholders following a buyout.

Alternatively, pension scheme trustees can secure the pension payments to their members through a buy-in contract with us.

Total number of policyholders

397,100

Policyholder satisfaction

99.3%

Number of schemes insured

298

For more information, see our Customer care section on **pages 28-33**

and investing purposefully.

PIC's investment strategy is designed to provide the long-term secure cash flows that match the pension payments to our policyholders over the coming decades.

Our portfolio is primarily invested in publicly available fixed income assets, including government and corporate debt. In addition, we are major investors in UK infrastructure and housing, generally through the private markets.

These private investments provide secure, inflation-linked cash flows which can match our pension payments at specific maturities when public debt is not available.

Total UK direct investments[1]

£13.8bn

Social housing[1]

£2.8bn

Education[1]

£2.4bn

1. Amount invested to date is estimated based on available historical data.

Providing social value across the UK

The social and economic value of pensions.

PIC secures the benefits of hundreds of thousands of members and former members of UK DB pension schemes. In order to do so, we channel investment into the economy, which supports jobs, growth and creates significant social value.

The map below shows the value of the pension payments we have made to our policyholders from the total pensions paid of £2.2 billion. These current payments are broken down by the countries of the UK and nine English regions.

Read Phil's story on **page 33**

£2.2bn

total pensions paid (buy-in and buyout) 2024

Read Christine's story on **pages 18-19**

See the total pensions paid (buy-in and buyout) 2013-2024 in the Customer care section on **page 29**

1. Regional distribution of payments is estimated based on the split of policyholders across the country.

Providing social value across the UK (continued)

Our investments secure more than the pensions of our policyholders.

Our purposeful investment strategy means we are significant investors in UK social infrastructure, including social and affordable housing, urban regeneration, the UK's universities and renewable energy.

The map below illustrates the extent to which PIC's purposeful investment strategy, which backs the pensions we must pay to our policyholders over the coming decades, has a social and economic impact on the UK.

£13.8bn

total UK direct investments to FY24[1]

Read about our investment in New Vic, Manchester on **page 39**

Read about our investment in Apex Housing Association on **page 37**

Read about our investment in Peel Ports Group on **page 38**

For more information, visit **pensioncorporation.com/purposeful-investments**

1. Amount invested to date is estimated based on available historical data.

Chairman's statement

Continuing to build a secure and sustainable business.

I'm pleased to report that PIC had a strong year in 2024, based on continued demand from the trustees of the UK's corporate defined benefit pension schemes to secure their members' benefits for the long term. We recorded our highest ever total of new business, £8.1 billion (FY2023: £6.9 billion); had IFRS Adjusted operating profit before tax of £746 million (FY2023: £893 million); and at year end, recorded a solvency ratio of 237% (FY2023: 211%).

A robust balance sheet able to support the full pipeline of new business, with which we enter 2025, is key to achieving our strategic objective of continuing to build a secure and sustainable business.

Solvency ratio

237%

IFRS Adjusted operating profit before tax

£746m

Policyholder focus

PIC has a clear purpose: to pay the pensions of our current and future policyholders. Ensuring the business is able to fulfil that purpose is a key focus for the Board.

We invest a considerable amount of time considering our responsibilities to our policyholders and ensuring that we achieve the right outcomes for them.

During the year, the Board approved our first Consumer Duty Board report, which included a review of the customer journey for policyholders with vulnerable circumstances. We take our customer responsibilities seriously, and hold the BSI Kitemark for inclusive service – the gold standard award for companies which demonstrate accessible and inclusive service to customers with vulnerable circumstances - as well as the Institute of Customer Service's ServiceMark with distinction, re-awarded in 2024 for 'consistently high customer service levels'.

Once again, we put on a full programme of policyholder events. I was pleased to attend our flagship London Policyholder Day at Alexandra Palace with c.650 people in attendance.

Meeting our policyholders at that event and seeing our employees interact with them, as well as talking more generally to people across the business, it is apparent to me that the Kitemark and ServiceMark weren't awarded by chance.

Our employees are genuinely committed to great customer service and policyholder outcomes. PIC's 2024 employee engagement survey showed that 93% of our employees think PIC is 'truly customer oriented'. At the same time, 93% of our employees are 'proud to work for PIC'.

Culture

Closely linked to this are PIC's culture and values. PIC has historically had a strong culture, emphasising collaboration and the benefits of diverse perspectives. But with the growth of the Company over the past few years, as well as the move to more flexible working, one of the key priorities I wanted the Board to focus on was renewing that culture.

This culminated in a refresh of PIC's culture statement, which can be found on page 48 of this report.

This provides the framework within which high-performance teams can excel. Getting talented individuals into the right roles is half the battle – once we have them, they need to be able to express their perspectives and bring respectful challenge. No one individual has all the answers. The Board is fully committed to this model of inclusiveness, where diversity of perspective and a growth mindset are the bedrock of our future success.

Reputation

The business had some good news early in the new year, with the appointment of PIC's CEO, Tracy Blackwell, as an honorary Commander of the Most Excellent Order of the British Empire ("CBE"), in recognition of her "services to the insurance and pensions industry".

This considerable achievement reflects Tracy's leadership on issues like long-term pension policy and breaking down the barriers to more infrastructure development in the UK. These are both areas of key importance to the business, as well as to the country. This award reflects well on our employees because it is also, by extension, a mark of the reputational regard with which our business is held.

Chairman's statement (continued)

Board changes

I am fortunate to have inherited a very experienced Board, which brings diverse perspectives and the stature to provide robust challenge. However, a key part of the role of a chairman is managing the inevitable transitions as long-standing directors stand down in line with corporate best practice, and new directors join. At year end 2024 Roger Marshall, who has been a very capable Senior Independent Director and Chair of PIC's Audit Committee, stood down. I want to thank him for his hard work during his tenure.

I was delighted to welcome Tracey Graham as Senior Independent Director and a member of PIC's Audit, Customer, and Nomination Committees, and Martin Pike, as a Director and a member of PIC's Audit, Investment and Origination, and Risk Committees. Both appointments were effective as of 1 January 2025.

Finally, in February 2025, Tracy informed the Board of her intention to retire from the business after almost 20 years with PIC and a decade as CEO. Tracy has committed to help manage an orderly transition whilst the Board proceeds with a formal search for her successor. I would like to thank Tracy for her enormous contribution to the business, helping take PIC from humble beginnings to being a leading player in the UK pension risk transfer market and a major investor in UK infrastructure and housing.

Looking ahead

Pension risk transfer transactions create greater security for pension scheme members in the long term, allow us to create social value through the breadth of our investment portfolio, and deliver sustainable returns to our owners. I am looking forward to leading our Board as PIC continues to play a leading role in this important market.

David Weymouth
Chairman

Our employees are genuinely committed to great customer service and policyholder outcomes.

David Weymouth
Chairman

For more information on Board activities, see **pages 105-106**

Chief Executive Officer's review

At the heart of a dynamically evolving market.

2024 demonstrated once again the dynamism of the pension risk transfer market and the benefits of buyout as increasing numbers of trustee boards sought to protect their members' benefits for the long term. PIC continues to sit right at the heart of that dynamic evolution, offering market-leading customer service to trustees, companies which sponsor pension schemes, and to our policyholders.

New business transactions

During the year, we completed new business premiums of £8.1 billion, our largest ever total, across 25 transactions, guaranteeing the pensions of c. 62,000 members. But the important part of this is how and when that total was made up, rather than the number itself.

We were pleased to complete deals with schemes across the market during the year, as well as launching Mosaic, our streamlined solution for trustees of schemes with less than £100 million in assets. We completed two transactions within this framework towards the end of the year, as trustees took advantage of this more efficient way of securing their members' benefits.

We have always taken a partnership approach to transactions, and especially to our long-term trustee clients following a buy-in. So, we were once again delighted to complete two significant transactions during the year with long-standing clients TotalEnergies and Clarks Shoes respectively.

Pensions paid

£2.2bn

Financial investments

£50.9bn

Policyholder satisfaction

99.3%

Both sets of trustees had first-hand experience of our exceptional customer service over several years which led them to complete follow up transactions with us.

We had completed £3 billion of new business during the first half, but the year end was one of the busiest I can remember, with our new business team completing ten transactions in about a fortnight, covering c.£3 billion of premiums and the pensions of c.20,000 scheme members, as trustees sought to mitigate market risk in the run up to year end. This is a phenomenal achievement, not least as many of these deals were signed in the midst of our move to our new offices at 22 Ropemaker. We expect pension risk transfer market volumes of £45 billion - £50 billion for 2025.

PIC's portfolio

At year end, PIC had a portfolio of £50.9 billion, covering insurance liabilities of £44.3 billion. We always seek to invest in low-risk assets in order to provide the secure, long-term cash flows we need to match the pensions of our policyholders over coming decades.

Given the uncertain economic and geopolitical outlook, we have maintained a defensive stance within the portfolio.

The other two main factors driving our investment strategy during the year were the tightness of credit spreads, meaning we have been cautious about investing in what we consider to be overvalued assets, and the ongoing supply constraints of investable housing and infrastructure projects. This means that we increased our allocation to gilts during the year as this asset class provided a better risk adjusted return than other forms of debt investment.

This also means that we have not deployed as much capital as we otherwise might, given the amount of new business we have written, leading to our very strong solvency ratio of 237% (2023: 211%).

At year end, from our overall portfolio market value of £50.9 billion, £30 billion relates to investments in the UK covering both public and private investments. To date, our total direct investments across the UK economy amounted to £13.8 billion[1]. This includes social and affordable housing, urban regeneration projects, renewable energy, and the UK's universities. These investments are important because they help us match liabilities at maturities when other forms of debt aren't available. They also help drive economic growth and create significant social value. We continue to work closely with interested parties, including national and local government, to help create the conditions for more viable projects to be brought forward. This is important for the country as much as it is for our sector.

Our partnership approach to transactions is important for our ability to complete these sorts of transactions. During the year this included repeat transactions with Northern Ireland based social housing provider Apex Housing, and Peel Ports. 46% of our £2.0 billion worth of privately-sourced debt investments were with existing counterparties during the year.

Customer service

We have now completed 298 transactions in total with the trustees of DB schemes, and as a consequence we now pay the pensions of 397,100 people.

During the year we made pension payments of £2.2 billion, our largest ever total, and to date have made total pension payments to our policyholders of £16.2 billion, with a customer satisfaction rate of 99.3% (FY2023: 99.3%).

We were pleased to once again be awarded ServiceMark with Distinction by the Institute of Customer Service for 'consistently high customer service levels'.

Our ethos of customer service for policyholders, trustees, and other stakeholders is now firmly embedded in our Build-to-Rent assets.

Tracy Blackwell CBE
Chief Executive Officer

We have now been holders of this award for eight years, demonstrating our long-term commitment to making sure our policyholders get not only the best customer service, but also the right outcomes.

As part of the ongoing evolution of our policyholder offering, we launched 'PIC on demand', a new video series on a range of topics of interest to our policyholders. This has proved a very popular addition to our offering, complementing our policyholder events, to which we welcomed more than 3,200 people during the year, as a means of helping our policyholders better understand the company which pays their pension and maintaining both transparency and management accountability.

Separately, we have now welcomed tenants into two of our Build-to-Rent developments, Arbour in Milton Keynes, and New Vic in Manchester. A key part of our proposition has been ensuring our tenants enjoy the same level of customer service as we offer to our policyholders.

In order to benchmark our developments, we run a mystery shop exercise every month to ensure we really are maintaining the highest levels of customer service.

We were therefore delighted that New Vic and Arbour scored 91% and 90% respectively for customer service in the December mystery shop, against an industry benchmark of 72%.

In fact our developments rank at the very top of the national mystery shopping league table, which consists of 40 other operators with 114 schemes that fall into the benchmark. So this is a considerable achievement, demonstrating how our ethos of customer service for policyholders, trustees, and other stakeholders is now firmly embedded in our Build-to-Rent assets.

During the year we were pleased to win seven industry awards, largely due to our focus on customer service, including the Pensions Age 'Risk Management Provider of the Year', UK Pensions Awards 'Risk Reduction Provider of the Year', and the Institute of Customer Service 'Trusted Quality Provider'.

Employees

I want to thank our employees for their hard work during the year, which allowed us to deliver such a strong set of results. It's very important to me that our employees are able to achieve their full potential, operating within a high-performance culture, built on diversity of perspective and a growth mindset approach.

Our clear, straightforward purpose – to pay the pensions of our policyholders – helps in that regard. During the year we were awarded 'Investors in People – Silver'. 93% of employees are proud to work for PIC according to the responses received in the 2024 employee engagement survey.

Looking ahead

At the beginning of 2025, I informed the Board of my intention to retire, having been at PIC for almost 20 years, and serving as CEO for the last 10 of them. I am enormously proud of what we have achieved so far and have every confidence in the team I will leave behind. In the meantime, I will be supporting the Board to ensure an orderly transition.

Dividend

Finally, alongside our H1 results, after considering whether the Group had sufficient reserves, the Board approved interim and special dividends amounting to £253 million.

Furthermore, given the strong capital position of the business, which had a reported solvency ratio of 237% at year-end 2024, compared to 211% a year earlier, well above our long-term average, the Board approved a final dividend of 12.0 pence per share, equivalent to £160 million for financial year 2024, as well as a second special dividend of 15.0 pence per share, equivalent to £200 million for the financial year. In total this means for 2024 PIC will have paid dividends of £307 million and special dividends of £306 million for financial year 2024.

2025 has started strongly, both with more investment opportunities as market volatility returns, and with considerable opportunity in the PRT market.

Tracy Blackwell CBE
Chief Executive Officer

Watch the **FY24 Results video** with Tracy Blackwell and Dom Veney

1. Amount invested to date is estimated based on available historical data.

Business model

How we generate shareholder value.

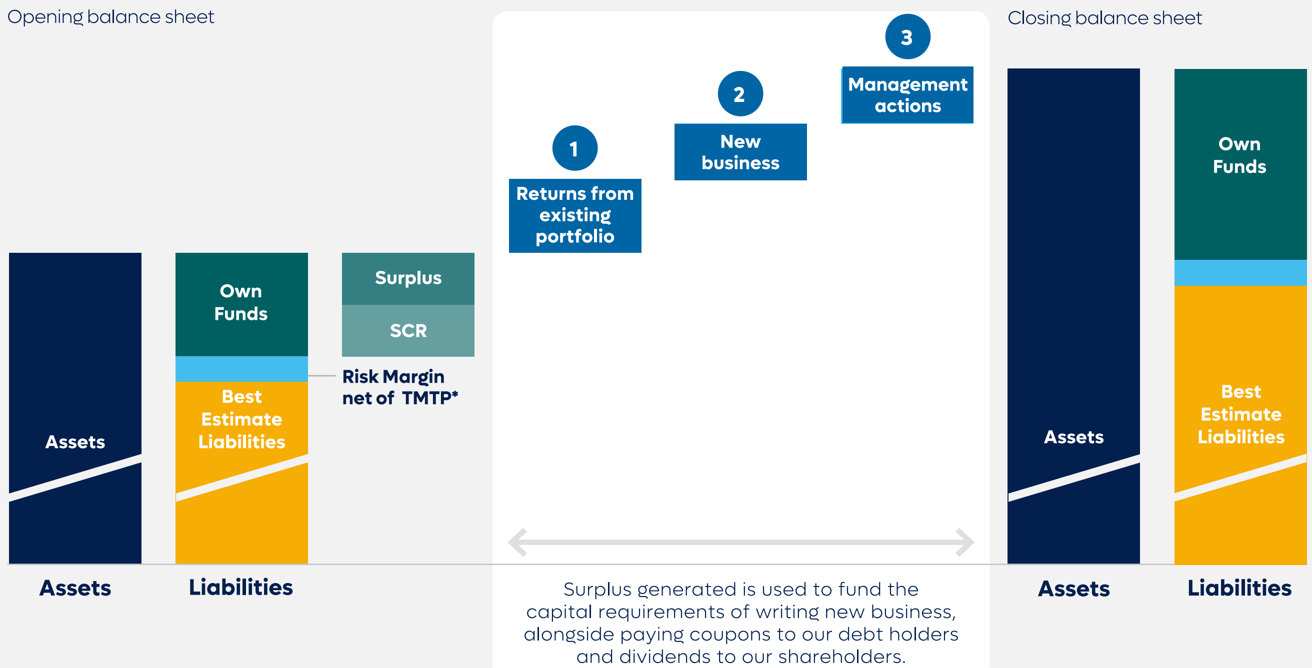
What we do

We de-risk UK corporate DB pension schemes, securing the members' benefits for the long term and removing the pension liability from the corporate balance sheet. This process is done either through a buyout or a buy-in, as explained on page 13. We are a leader in the UK PRT market with a track record of completing close to 300 transactions with schemes varying in liability size from £7 million to more than £6 billion.

There are three key levers to generate shareholder value for the business, with policyholder security rigorously maintained as the priority at all times. These levers are:

1. Returns from existing portfolio
2. Taking on new business (either a pension insurance buy-in or buyout)
3. Management actions to optimise the balance sheet

Illustrative solvency balance sheet



1 Returns from existing portfolio

PIC earns a margin on its shareholder assets. Prudence within the reserves that match the projected pension payments, and the corresponding capital, are released over time.

2 Taking on new business (either a pension insurance buy-in or buyout)

PIC charges a premium which includes the cost of its regulatory capital, the profit margin and the projected expenses arising from the liabilities it is taking on.

3 Management actions to optimise the balance sheet

Subject to maintaining policyholder security, PIC undertakes various management actions, including the optimisation of its investment, liquidity and capital positions within the in-force portfolio.

*Transitional Measure on Technical Provisions.

Supporting our dividend policy

The Group's dividend policy is to retain sufficient capital to invest in future growth opportunities in the UK PRT market, while paying regular dividends to shareholders, based on the current and future projected capital position of the business.

Further information on PIC's dividend policy can be found on **page 70**

2024 Total dividend per share

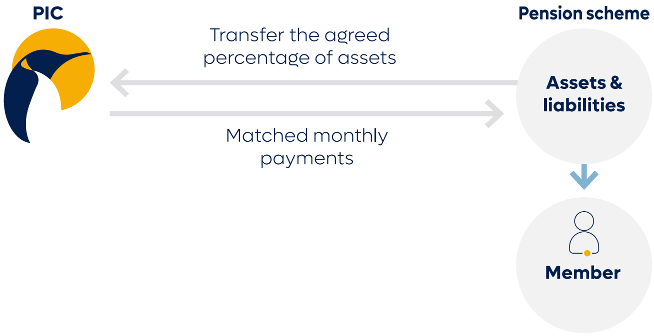
46.0p

Business model (continued)

Explanation of a buy-in and buyout

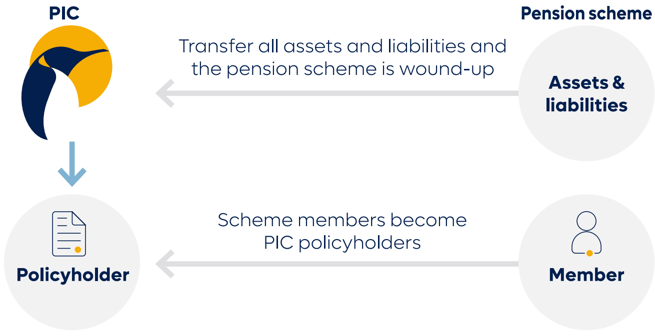
Pension insurance buy-in

An insurance policy bought by trustees that covers some or all of the scheme's future pension payments. It is held as an asset of the scheme, which remains in place. PIC makes regular payments to the scheme to cover the benefits secured – the administration responsibilities stay with the trustees.



Pension insurance buyout

An insurance policy bought by trustees that covers all the scheme's future pension payments. The scheme is wound up, individual PIC policies are issued to the members and we pay their benefits directly to them. We also take on the future administration.



Key steps in underwriting a new business transaction

Take on DB liabilities

We originate new business through active engagement with pension scheme trustees and their advisers, as well as the corporate sponsors of pension schemes.

Specialist pension advisers (also known as employee benefit consultants) play a key role in the transaction process.

We work with trustees to understand the scheme dynamics and determine a premium (price) at which we will take on the scheme liabilities and associated risks. At the point of transaction, we receive this premium.

Transition assets

The premium from trustees is received through the transfer of some or all of the assets of the pension scheme (sometimes the sponsor will also need to contribute, where there is a deficit to the premium required to transact).

After taking on the pension scheme's assets, PIC will typically go through a transition process with the trustees, which involves reconciling the member data, ensuring it is complete and accurate and that any changes identified are agreed between PIC and the trustees before the transition is complete.

Match assets and liabilities

Liabilities within a pension scheme can be volatile, because it is less usual for trustees to hedge some or all of their longevity, interest rate, inflation and currency exchange risk. PIC actively manages these risks to make the liability cash flows more certain, allowing a more purposeful asset strategy. This means that:

- longevity risk is often reinsured to a highly rated third party; and
- liabilities are hedged (on a solvency basis) for interest rate, inflation and currency exposure using derivatives and other assets.

Optimise the portfolio

Scheme assets commonly include government bonds, corporate bonds and cash. However, larger deals may include a small allocation to assets that pose challenges for backing pension liabilities under insurance regulations. This is more likely the case if the scheme is winding up as part of wider corporate activity or the scheme is looking to transact in a shorter time frame, as typically a pension scheme may go through a period of selling such assets ahead of a transaction.

When we receive the premium, we strategically transition to assets that complement our long-term investment strategy. This can often involve selling assets received as premium and buying high-quality assets that better match our liability cash flows and liquidity requirements, in line with our purposeful investment strategy.

Paying the pensions of our policyholders

In the case of a buyout, policyholder administration is transferred to PIC and individual policies are issued to members.

We have a market-leading transition process which includes regular, Crystal Marked (for clarity) communication with members.

Once the members become our policyholders, they are invited to attend regular events across the country where our policyholders can catch up with each other and meet PIC's employees and senior management.

We are one of the highest-rated companies in the country for customer service. We are proud to have maintained a customer satisfaction rating over 97% for the 12th consecutive year.

In the case of a buy-in, PIC maintains an ongoing relationship with the trustees, who continue to administer the scheme.

Strategic objectives

Designed to fulfil our purpose.

PIC's strategic objectives guide the business as we fulfil our purpose of paying the pensions of our current and future policyholders. We prioritise maintaining a strong balance sheet and have an investment strategy that creates significant social value, underpinned by our commitment to excellent customer service.

Our three strategic objectives highlight our ambitions: to continue building a secure and sustainable business; to carry on leading as a responsible corporate citizen; and to keep on driving long-term value growth.

Key performance indicators ("KPIs") measure our progress as we pursue our strategic objectives. We annually review our financial and non-financial KPIs to ensure that they remain relevant and informative.

+ For more information on our KPIs, see **pages 16-17**

Key

- Regulators
- Counterparties
- Trustees
- Policyholders
- Employees
- Society
- Capital Providers

To continue building a secure and sustainable business

Optimise resources

PIC provides long-term security for our policyholders by being a secure and sustainable business for the duration of our commitments to them. This means being measured in our approach and conducting business in line with our Board-mandated risk appetites.

Performance in 2024

- Strong capital position throughout, with a year end solvency ratio of 237% well above the long-term average, means we are well placed to support future new business growth. Solvency surplus of £4.7 billion in excess of solvency capital requirements.
- Fitch affirmed our Insurer Financial Strength rating at 'A+' (Strong) and PIC's long-term Issuer Default Rating at 'A', both with a 'Stable' outlook in August 2024.
- At year end, 82% of PIC's longevity risk had been reinsured (FY2023: 85%).

Our focus in 2025

- Continue to maintain a robust solvency position and manage investment risk in a volatile market.
- Continue to foster long-term client relationships to support repeat business with our clients and other relevant counterparties.
- Continue to originate and broaden our range of purposeful assets, while generating attractive returns.
- Complete the implementation of Solvency UK, the new UK insurance regulatory framework, and optimise PIC's business model, capital allocation and solvency to the new regime.

Link to stakeholders

To carry on leading as a responsible corporate citizen

Ensure our behaviours reflect our values

At PIC, we are focused on doing the right thing across our stakeholder base. Working constructively and empathetically with our stakeholders decreases business risk, further strengthens our reputation and enhances returns. Our culture and values provide a supportive framework for employees. We are focused on providing our policyholders with the highest levels of service, clear communications and the right outcomes. We also actively consider the impact of our activities on society, assessing our business activities through a sustainability lens.

Performance in 2024

- Provided excellent customer service to our policyholders: 99.3% of our policyholders expressed overall satisfaction with our service levels.
- Delivered a full programme of in-person policyholder events with two new locations in the UK added this year. Launched 'PIC on demand'; an online policyholder service with downloadable content.
- PIC won the Trusted Quality Provider award from the Institute of Customer Service ("ICS") for consistently high customer service levels.
- Became founding signatories to the A4S Sustainability Principles Charter for Bulk Purchase Annuity Process, winner of the Environmental Finance's Sustainable Re/insurer of the Year 2024 award.
- Reaccepted as a signatory to the Financial Reporting Council's UK Stewardship Code.
- Relocated PIC's offices to accommodate the growth of the business and progress towards our sustainability ambitions.
- We are targeting a certification of BREEAM Outstanding and a WELL Platinum rating for the sustainable design of our new offices, helping us to meet our carbon neutral by 2025 commitment.
- We elected to neutralise any carbon emissions created from the fit-out of our office space by purchasing high-integrity carbon removal credits.

Our focus in 2025

- Continue to provide excellent customer service and engage with our policyholders through a 2025 events programme.
- Continue to progress towards our environmental targets as we work towards achieving Net Zero status.

Link to stakeholders

To keep on driving long-term value growth

Generate attractive returns over the lifetime of the business

PIC's purpose is to pay the pensions of our current and future policyholders. We do this by investing in secure, long-term investments with high levels of social value, which provide attractive risk-adjusted returns over the long term.

Performance in 2024

- Completed £8.1 billion of new business across 25 transactions. Maintained disciplined pricing, consistent with internal rate of return targets.
- Launched Mosaic, a streamlined service for small pension schemes (<£100 million of assets) looking to complete a buyout. PIC completed its first scheme buyout through Mosaic in Q4.
- £2.0 billion of privately sourced debt investments during the year, of which 46% was with existing counterparties in sectors such as highly rated sub-sovereigns, utilities, financials and UK infrastructure.
- New Vic, PIC's first Build-to-Rent ("BTR") development, has now been fully let. Read more on page 39.
- Raised £500 million of Tier 2 debt, with £224 million used to redeem existing debt ahead of schedule.

Our focus in 2025

- Continue to transact with trustees to de-risk their liabilities, offering tailored solutions as well as operating across the full spectrum of pension scheme sizes.
- Continue our partnership model of engagement with trustees, including those of very small schemes, as well as our debt counterparties and other stakeholders.
- Strategically allocate capital where we can generate attractive returns.

Link to stakeholders

Key performance indicators

Measuring our success.

We maintain three strategic objectives: to continue building a secure and sustainable business; to carry on leading as a responsible corporate citizen; and to keep on driving long-term value growth.

Our six KPIs are aligned to our strategic objectives and will be reviewed annually to ensure they remain an effective measure of progress against our ambitions.

Alternative performance measures

We use a range of alternative performance measures ("APMs") to assess the financial performance and position of the Group. These APMs are measures which are not defined by IFRS regulations but provide stakeholders with additional information to understand the performance or position of the Group. However, APMs should be viewed as complementary to, rather than as a substitute for, the unadjusted IFRS measures.

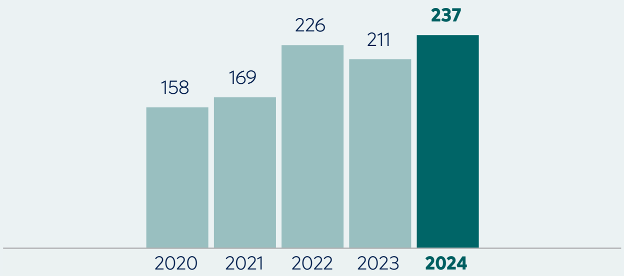
The Group's key APMs listed below are defined in the glossary and reconciliations to their closest IFRS measure, where applicable, are included in the Chief Financial Officer ("CFO") review. The calculation of each APM is consistent with previous periods unless stated otherwise.

- IFRS Adjusted operating profit before tax (see page 66)
- IFRS Adjusted equity (see page 65)
- Equity own funds ("EOF") (see page 71)
- Solvency ratio
- Solvency surplus

For more information on our strategic objectives, see **pages 14-15**

To continue building a secure and sustainable business

Solvency ratio %



Definition

The solvency ratio is a regulatory capital measure that demonstrates the Group's financial strength. It shows the ratio of eligible capital to required capital, which is defined as our eligible Solvency Own Funds as a percentage of Solvency Capital Requirement ("SCR").

Performance

PICG's solvency ratio increased to 237% at 31 December 2024 (FY2023: 211%). This benefited from returns from our surplus assets and in-force book, management actions to optimise our in-force assets and our capital position and higher interest rates partly offset by the efficient deployment of capital to write £8.1 billion of new business.

Fitch Insurer Financial Strength rating

A+

Definition

The Fitch Insurer Financial Strength rating provides an external assessment of financial strength, which gives security to our current and future policyholders. It reflects both financial and non-financial metrics and represents the financial strength rating of PIC.

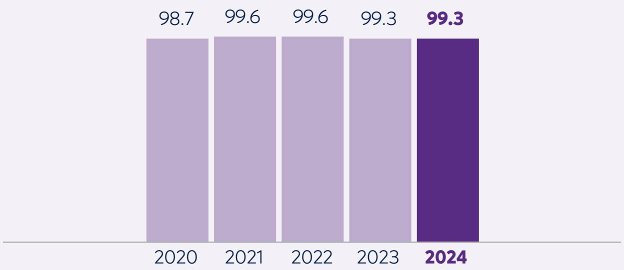
Performance

In August 2024, Fitch Ratings affirmed PIC's Insurer Financial Strength rating at 'A+' (Strong) and PIC's long-term Issuer Default rating at 'A', both with a 'Stable' outlook. This impartial assessment demonstrates the financial strength of the Company and delivery against our strategic objective, to continue building a secure and sustainable business.

Key performance indicators (continued)

To carry on leading as a responsible corporate citizen

Policyholder satisfaction %



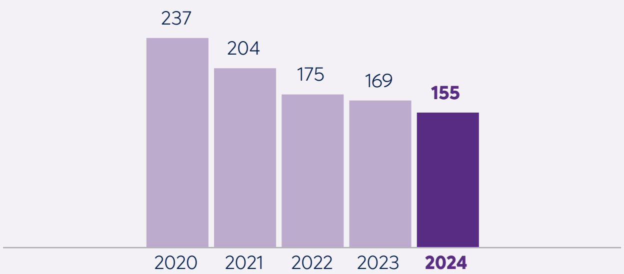
Definition

Policyholders are asked to provide a satisfaction rating for PIC's customer service. This metric shows the percentage of customers surveyed who gave PIC a satisfied or very satisfied rating. We monitor this percentage to ensure we continue to deliver outstanding policyholder service.

Performance

We maintain extremely high levels of policyholder satisfaction as demonstrated by overall satisfaction scores being consistently above 98%.

Carbon intensity tCO_2e/\$m revenue



Definition

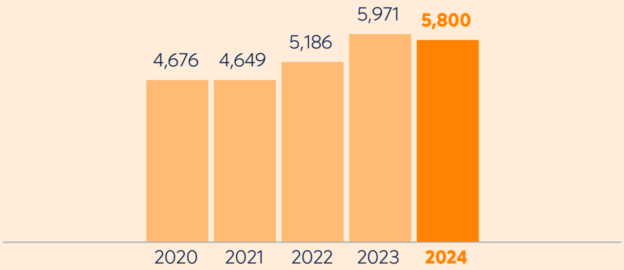
Managing climate risk is firmly embedded into our business and the carbon intensity of our investment portfolio (defined as the Weighted Average Carbon Intensity ("WACI") (Scope 1 and 2) in emissions per $ million revenue) is a key metric. This is monitored by PIC to ensure our externally published emissions targets and ambitions are achieved. The metric aligns with our externally published Net Zero targets.

Performance

We have further reduced the carbon intensity of our portfolio during 2024, and we remain on track and committed to meeting our 2025 and 2030 decarbonisation targets. We focus our stewardship activities on actively engaging with the most carbon intensive companies in our portfolio and expect to see continued progress from this in the medium term. Our engagement activity, alongside our forward-looking investment strategy that focuses on investments that align with a low-carbon transition, puts us in a strong place to mitigate the risks from climate change.

To keep on driving long-term value growth

Equity own funds ("EOF") £m



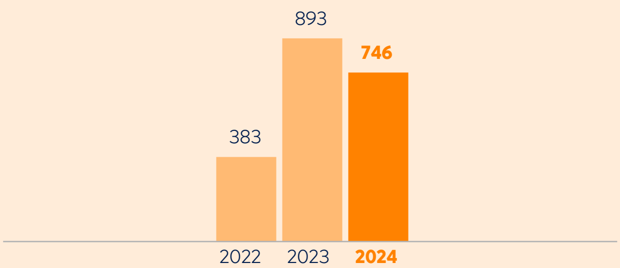
Definition

EOF is a shareholder view of the Group's Solvency Own Funds after deducting hybrid debt and aligns to the way the business is managed.

Performance

EOF increased by £229 million to £6,200 million before dividends primarily due to the value created from new business, returns from our growing in-force book and actions to optimise the asset portfolio. After dividend payments of £400 million, EOF ended 2024 at £5,800 million (FY2023: £5,971 million).

IFRS Adjusted operating profit before tax[1] ("AOPBT") £m



Definition

AOPBT reflects the IFRS result relating to core business activities, alongside certain management choices and decisions around those activities, which include the writing and management of pension insurance contracts and the management of risk through reinsurance. This metric reflects the value generated prior to the new business deferral and subsequent in-force release of profit via the contractual service margin ("CSM") and excludes investment-related variances.

Performance

AOPBT for the year decreased to £746 million (FY2023: £893 million) primarily due to prevailing market conditions in which we chose to write new business using lower capital intensive strategies which also resulted in lower margins and the impact of reinsurance not completed by the year end given the large volume of new business transacted close to the year end.

1. IFRS Adjusted operating profit before tax has been restated following the adoption of IFRS 17. Comparatives prior to the implementation of IFRS 17 are not available.

Strategy in action

To keep on driving long-term value growth

For Christine.

Christine took an early retirement pension in 2001 after almost 25 years with Delta PLC. The pension scheme has been insured by PIC since 2008 and her experience of us demonstrates how we are there for our policyholders and their future.

"The things I need from my pension insurer are clear communication, respect for me, and a commitment to financial security.

During the pension transfer, I was kept informed using understandable language. It was easy to contact PIC's customer service team, who answered my questions in a professional yet friendly manner. My generation isn't always confident with modern methods of communication and value a friendly voice on the phone. I have attended several policyholder events.

They clearly explain PIC's investment objectives and I have no doubt that PIC go the extra mile to maintain financial security and are committed to success for future generations. The events also show PIC's appreciation for personal feelings, offering opportunities to meet old colleagues and speak to the headline celebrity speaker.

How would I describe PIC? That's easy! It's a company that knows its job and cares about its policyholders, past, present and future. Thank you, PIC!"

For more information, see our Strategic objectives section on **pages 14-15**

Strategy in action (continued)

PIC is a company that knows its job and cares about its policyholders, past, present and future.

Christine Summers
Proud PIC policyholder

Strategy in action (continued)

To continue building a secure and sustainable business

For strategic partners.

In November, we formed a £54 million joint venture with developers, Muse, and Homes England, the Government's housing and regeneration agency, to create social value well into the future. It will bring forward 3,000 low carbon, low-energy affordable homes for the rental market.

Named Habiko, our partnership unlocks institutional investment focused on affordable housing delivery and aims to diversify the supply chain for future efficient housing developments.

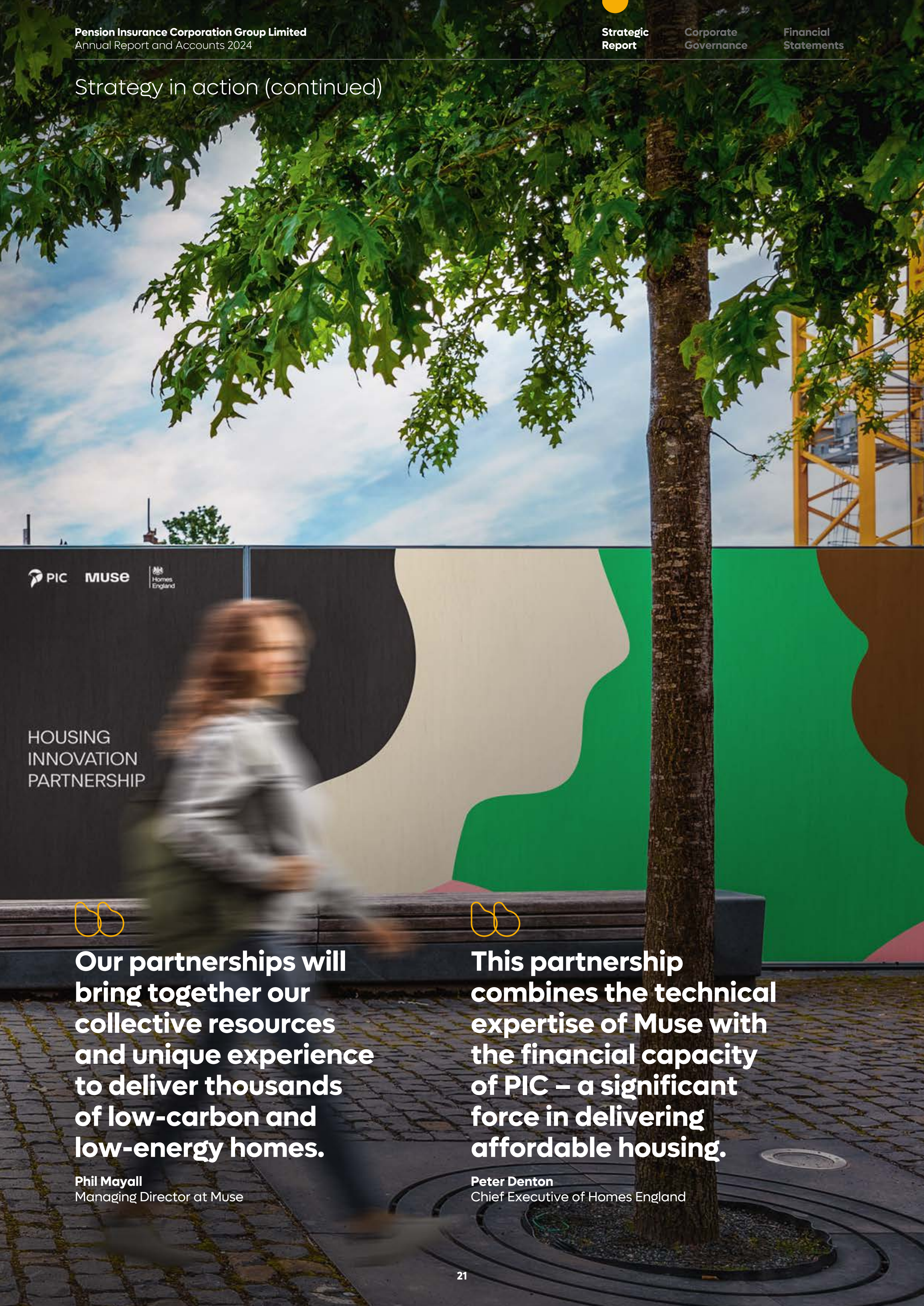
We are targeting up to 100% affordable homes for rent with rents set at 20% below the local market level. During the 12-year lifespan of the partnership, PIC will have the ability to continue to forward fund the homes and will ultimately own the developments it helped to create through its investment and long-term approach.

The homes will be built across England in areas where they are most needed. These will be in accessible locations, close to employment opportunities and the homes will be designed to help residents save money on their energy bills.

Our developments will create social value for communities, including a boost to the local economy through job creation and new skills to drive green innovation.

For more information, see our Strategic objectives section on **pages 14-15**

Strategy in action (continued)



Our partnerships will bring together our collective resources and unique experience to deliver thousands of low-carbon and low-energy homes.

Phil Mayall
Managing Director at Muse

This partnership combines the technical expertise of Muse with the financial capacity of PIC – a significant force in delivering affordable housing.

Peter Denton
Chief Executive of Homes England

Origination, reinsurance and transitions

Innovating for the future.

Mitul Magudia
Chief Origination Officer

PIC completed £8.1 billion of new business premiums in 2024 (FY2023: £6.9 billion), our highest ever annual total, securing the pension benefits of c. 62,000 defined benefit ("DB") pension scheme members for the long-term.

PIC's performance

While the overall headline is pleasing, I am personally delighted with the innovative and flexible approach, underpinned by a commitment to excellence of customer outcomes, displayed by our team in each of the 25 transactions we completed during the year. This commitment has allowed us to deepen our presence across the whole market, with transactions ranging from the £20 million buy-in with the General Counsel of the Bar Pension and Life Assurance Fund, to the £1.3 billion buy-in with the Coats UK pension scheme (see case study on page 24), as well as the launch of our new streamlined solution for small schemes, Mosaic.

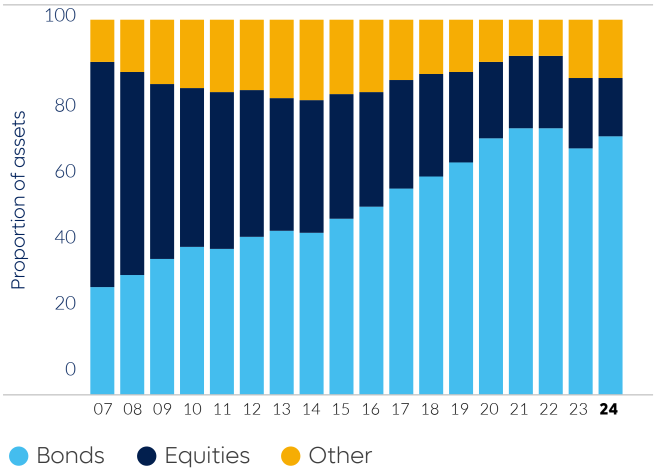
Our approach has also allowed us to complete two very significant repeat transactions, covering the pensions of 13,500 members, with the pension schemes sponsored respectively by TotalEnergies (see case study on page 25) and Clarks Shoes – both of which are long-standing clients - based on the quality of our customer service. And this approach has helped us to smoothly transition over 3,000 pension scheme members to be our policyholders during the year, following transactions, including with 3i and PA Consulting.

Longevity reinsurance

The ability to complete longevity reinsurance in a timely fashion with a panel of highly rated global reinsurers helps us manage our exposure to longevity risk, as well as allowing us to provide more certain pricing for trustees earlier in the transaction process.

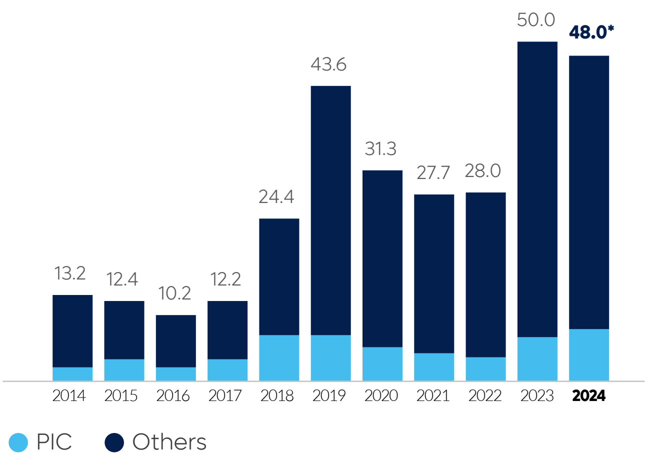
Longevity reinsurance is the process by which the risk of our pensioners living longer than we project is taken on by highly rated global reinsurers. Insuring our longevity risk helps these firms hedge one of their key risks – that people who have taken out life insurance plans with them die earlier than they project. In short, they are the natural holders of this risk. As such, we have seen increased demand from them over recent years. In 2024, we reinsured £5.7 billion of our longevity risk with five counterparties during the year, and we have now reinsured in aggregate 82% of our total longevity risk with 14 highly rated global counterparties.

Asset allocation of DB pension schemes
%



Source: PPF's Purple Book 2024

Buy-in and buyout volumes since 2014
£bn



* PIC estimate
Source: Hymans Robertson and Company

Origination, reinsurance and transitions (continued)

Transacting across the market, non-standard solutions

PIC has always transacted with schemes of all sizes, ranging from schemes with around £7 million of assets to our £6.2 billion buy-in completed with RSA in 2023. However, a major focus for the team during the year was the launch of Mosaic, our streamlined solution for schemes with assets of less than £100 million. Mosaic provides trustees with a mechanism to monitor pricing, alongside standard processes and contracts, so providing trustees with a straightforward, efficient way of securing their members' benefits. One of the most attractive features of Mosaic is that there will be dedicated operational resource for smaller schemes, which is normally one of the most challenging aspects with this segment of the market. By year end, we had completed two transactions through Mosaic, including a £20 million transaction covering the benefits of 103 members of the General Council of the Bar Pension Fund - signed within ten weeks of PIC receiving the Fund's data.

We have received a lot of interest in Mosaic from smaller schemes and expect to complete increasing amounts of new business through this structure over coming years.

At the larger end of the market, we completed during the year, three transactions with schemes with more than £1 billion of liabilities. This included a £1.3 billion buy-in, covering the pensions of over 18,000 scheme members, with Coats Group. This transaction is interesting because, apart from its overall size, we were able to both take on illiquid assets from the pension scheme in specie and offer a deferred premium to allow the trustees to manage further illiquid holdings, demonstrating our ability to tailor transactions to meet the particular needs of scheme trustees.

We have always taken a partnership approach to our clients, offering schemes of all sizes a high-quality solution not just during the transaction, but through the transition phase and in the way we look after our policyholders after the transition is complete. Which is perhaps why we have completed so much repeat business. To date, we have completed 85 repeat transactions, covering £20.0 billion of liabilities and the pensions of 115,000 people.

PRT market outlook

There continues to be strong demand from trustees for buyouts and buy-ins. An emerging trend has been for full scheme buy-ins, a consequence of the much better funding position schemes have found themselves in over the past couple of years. In 2024, 100% of our new business total was for full scheme buy-ins or buyouts. Our strong expectation is that this trend for full scheme buy-ins will continue, with trustees and sponsors alike preferring to pass their risks onto specialist insurers. Our expectation for the market is for potential volumes of about £50 billion to £60 billion a year over the next decade, with a long tail of further business stretching out for a further decade after that.

Our clear message to the market is that we want to transact across the market with schemes of all sizes, that we are able to offer any type of solution, and that smaller schemes can now benefit from our streamlined process.

I look forward to market developments in 2025.

Mitul Magudia
Chief Origination Officer

PRT market trends

Assets held within UK DB pension schemes

£1.1trn

2023: £1.4trn

93%

of DB pension schemes are closed

c.£770bn

of gilts and fixed income assets within pension schemes

Over

50%

of trustees looking to buyout

Sources:
PPF Purple Book 2024
LCP Pension Risk Transfer Report 2024

For more information, see our Investments section on **pages 34-39**

Origination, reinsurance and transitions (continued)

Transition and client management

What is it?

Once a deal is signed, the assets of the pension scheme are immediately passed on to the insurer who then takes on the responsibility of managing these on an ongoing basis.

This is followed by a transition process, whereby trustees' advisers check that member data is complete and accurate and that any changes are agreed. For buy-ins, where we insure a part of a scheme, the team looks after the ongoing relationship with the Trustee, which can include multiple buy-ins conducted over many years. We pride ourselves on our ability to form strong and lasting partnerships by taking the time and effort to build these relationships and our success in writing repeat business with existing clients is, in part, down to our ability to efficiently and accurately handle the financial and personal aspects of the schemes we transact with.

Excelling at customer service

Successfully transitioning a scheme is dependent on several factors, including reconciling and verifying data across the scheme membership, close collaboration and communication with trustees and their advisers, and strong project management and teamwork. The process, depending on the size and complexity of the scheme, can take from several months to a small number of years.

The priority throughout is ensuring that individual members continue to receive their payments and are fully informed at all stages of the transition. Each transition follows a comprehensive plan, which establishes the required governance and includes regular checkpoints to report on progress.

Adapting to our clients' needs

At PIC, our focus is on fostering long-term client relationships and delivering first-class client outcomes. This is evidenced through the number of clients that choose to come back to us for further buy-in transactions. We have completed 85 repeat transactions to date.

A key tenet of the PIC offering is our ability to listen and respond to the needs of our trustees, with one of the trends being an appetite for a faster, more streamlined route to buyout for smaller schemes. PIC's expertise in this area has allowed for the transition to buyout of 168 schemes.

The quality of these transition processes and the trustee/member experience during this crucial phase is a key focus for PIC and its management team.

Case study: **Coats UK Pension Scheme**

For scheme sponsors.

PIC completes £1.3 billion buy-in with FTSE 250 company, Coats Group plc

In September 2024, PIC concluded a £1.3 billion buy-in of the Coats UK Pension Scheme ("the Scheme"), covering the pensions of over 18,000 scheme members.

The deal was facilitated by an upfront contribution from Coats to move responsibility for the Scheme's assets and liabilities to PIC.

We were very pleased to be able to help facilitate this transaction. Our contribution neatly aligns shareholder interests with those of scheme members who now all have their pension insured.

Jackie Callaway
Chief Financial Officer
at Coats Group PLC
September 2024

Origination, reinsurance and transitions (continued)

Case study: **TotalEnergies Trustee**

For trustees.

In July 2024, we concluded a second buy-in with the TotalEnergies UK Pension Plan. This transaction covered £1.2 billion of liabilities and secured the future pensions of over 2,000 pensioners and dependants and 3,500 deferred policyholders. We have now insured all £2.8 billion of the Plan's defined benefit pension liabilities, following our buy-in with TotalEnergies ten years ago.

"As a trustee considering a buy-in, with TotalEnergies as the sponsoring company, our main considerations were the insurer's ability to offer a competitive price, work to a tight deadline and provide an excellent member experience.

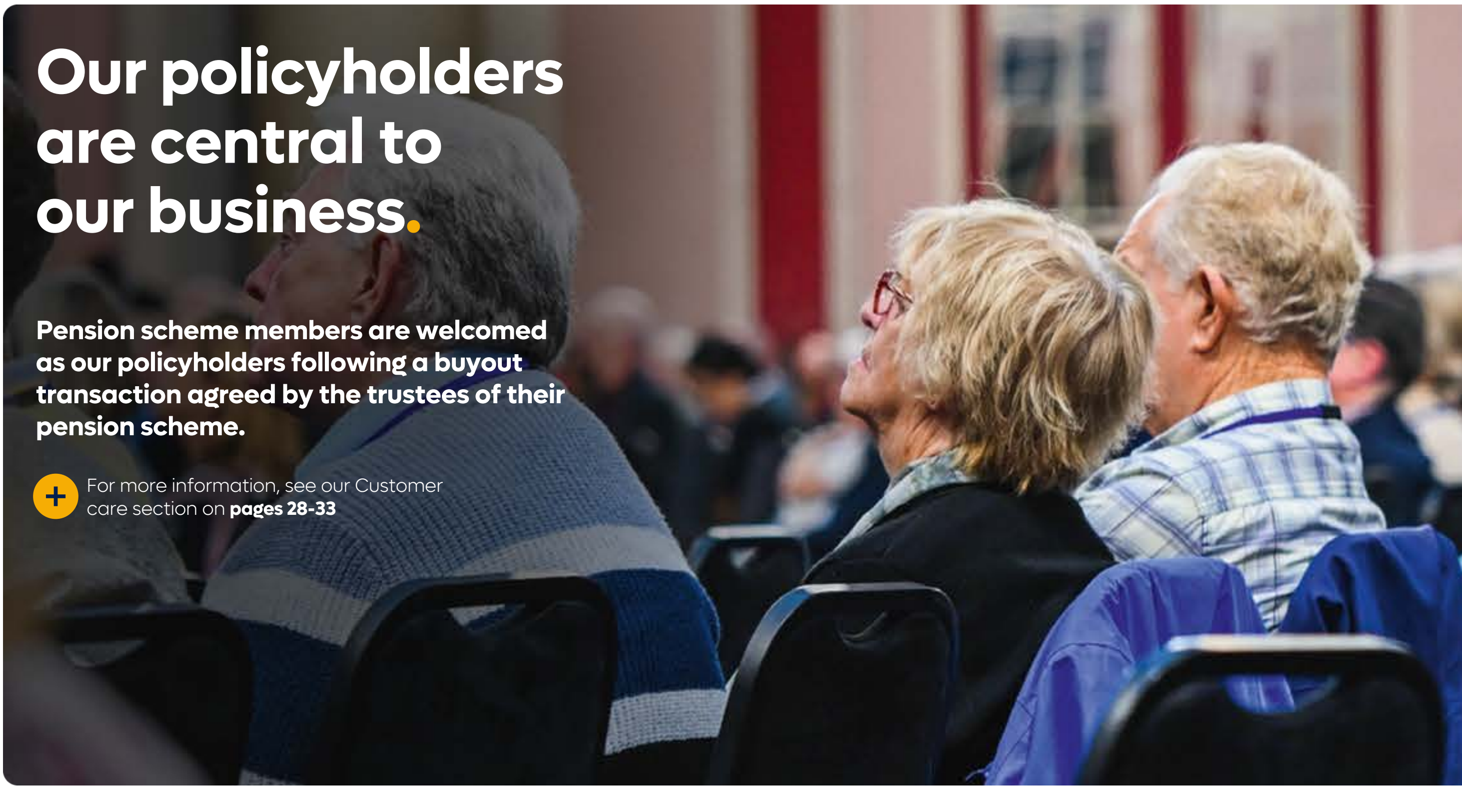
In the de-risking of the Plan's defined benefit scheme, PIC met our criteria. For our members, PIC stood out as a leading, reputable insurer who can be relied on. The seamless transfer of administration and member experience was evident, not just from conversations with the team, but the website, which was well-designed and showcased its policyholder days.

When we embarked on our second buy-in, we weren't looking for a single insurance provider over both transactions, it was more important to run a competitive process. PIC had to work diligently to meet the Trustee and Company's requirements. We are pleased the deal allowed us to extend our relationship with PIC."

We are pleased to have reached this milestone by extending our existing relationship with PIC. I would like to thank TotalEnergies, PIC, and our advisers for their collaborative and flexible approach in what was a complex and challenging transaction.

Robert White
Chair of the Plan

Policyholder journey



Our policyholders are central to our business.

Pension scheme members are welcomed as our policyholders following a buyout transaction agreed by the trustees of their pension scheme.

For more information, see our Customer care section on **pages 28-33**

1 From pension scheme member...

The Trustee signs a buyout transaction, which transfers all risks, assets and policyholder obligations to PIC.

What differentiates us

The quality of service PIC provides to transitioning pension fund members is a key focus for the PIC management team. The transition includes the development of a specific communication schedule, aligned closely with the trustee's communication schedule so that members are kept fully informed about their impending transfer.

2 via a transition period...

Once the trustees have informed the members about the transaction, we introduce ourselves to them in a series of communications, giving an overview of PIC and explaining the process.

What differentiates us

All relevant communications are in plain English: we hold the Platinum Crystal Mark from the Plain English Campaign and the ServiceMark with Distinction from the Institute of Customer Service ("ICS").

3 to PIC policyholder.

We genuinely seek to do things better for our policyholders.

What differentiates us

We hold the ICS ServiceMark with Distinction, the highest attainable award for customer service.

We consistently score highly for customer satisfaction, achieving 97% or more for the last 12 years.

Creating connections

Each year, we hold events across the country, where our policyholders can meet with, and question, PIC's senior management. Every event allows us to directly engage with our policyholders.

They include:

- a mixture of entirely free online and in-person events across the UK, packed full of interesting and helpful information;
- updates from our senior leadership team; and
- celebrity guest speakers and a choice of complimentary services at our policyholder events.

Policyholder journey (continued)

What our policyholders say about us:

I've had to contact many organisations to change my bank account by phone. They were all tedious and time consuming, apart from PIC. You were excellent.

I have received an excellent level of service throughout. A refreshing change to not be kept on hold and to speak to friendly, polite and helpful people on each of the occasions I rang.

Thank you for the professional approach extended to us at the PIC event. The event was most enjoyable and the venue superb.

We were made to feel at home. We met so many friendly folks and reacquainted ourselves with previous friends.

It was good to hear about the Company and its ethos and this was backed up by professional, knowledgeable and approachable staff.

For more information, see our Customer care section on **pages 28-33**

Customer care

For the future of our policyholders.

Lance DeLuca
Chief Operating Officer

At PIC, everything we do is designed to help us meet our purpose of paying the pensions of our current and future policyholders.

I'm pleased to say that during 2024 we once again delivered industry-leading customer service levels. Importantly, positive customer outcomes continue to be high and we are proud to be recognised as one of the highest performing customer service providers in the UK as evidenced by the Institute of Customer Service's benchmarking. From our unique policyholder events to our 'people first' customer helplines, we keep our policyholders' needs at the front and centre of our entire business.

During the year, we retained our ISO accreditation and BSI Kitemark for inclusive services in recognition of the work we have done for customers who may need extra support. All our policyholders can expect to be treated with care, respect and integrity, regardless of their circumstances, and we are mindful and proactive in ensuring we are accessible for customers who need additional support.

We care deeply about delivering excellent service to our policyholders and were pleased to achieve customer satisfaction levels of 99.3% during the year. We actively seek feedback from our customers through regular surveys and customer insight activity and we make changes based on what they tell us. During 2024 we retained our distinction with the Institute of Customer Service ("ICS") and won our sixth ICS award, in the Trusted Quality Provider category.

Our policyholders need a pension provider they can depend on. The ability to reliably and accurately pay pension payments directly impacts their quality of life. This year our pension payments totalled £2.2 billion.

We care deeply about delivering excellent service to our policyholders. We are aware that many of our policyholders rely on their PIC pensions as their primary income, so our attention to detail, reliability and responsiveness to their needs directly impacts their quality of life.

This makes customer service not just a function, but our social responsibility, so it is a central part of how we operate.

We partner with specialist pension administrators to provide PIC's award-winning customer service. Although our administration is outsourced, responsibility for our customer experience, vision and customer service model belongs to PIC. We are involved in everything our administrators deliver to our customers, as detailed throughout this section.

Our customers tell us that being a PIC policyholder means so much more than simply seeing their pension payments in their bank account. One of the areas that is commonly remarked upon is the benefit of being able to hear directly from PIC and meet fellow policyholders at one of our dedicated events. As a result of this feedback we increased the number of events from seven to 11 this year, adding Cardiff, Southampton and reintroducing Essex to better cater for the geography of our growing policyholder base.

In addition, we created an online video series, 'PIC On Demand', for all our policyholders. These videos have been accessed more than 12,000 times in total.

Our events help our policyholders have the peace of mind that their pensions are looked after by a reputable and purposeful Company that is focused on the long-term stability and security of the assets that generate the future cash flows they depend on.

Lance DeLuca
Chief Operating Officer

Policyholder satisfaction surveys

PIC monitors its satisfaction surveys closely

99.3%
of respondents are "satisfied or better" with our service in 2024

84.7%
gave PIC's service the maximum score

>97%
Our customer satisfaction has remained above 97% for the last 12 years

Customer care (continued)

PIC's service model

The PIC service model has been designed to provide exceptional levels of customer care. We shape our service based on customers' needs and what they tell us they want. We've listened to feedback from our policyholders to develop our customer promises:

You can rely on us

- We pay you the right pension at the right time, so you never have to worry
- We do what we say we will
- We work to keep your pension safe
- We listen to what you say and make changes to improve our service

Dealing with us is easy

- We give you a choice of how you contact us, and we'll always contact you in the way you prefer
- Our team is experienced and equipped to meet your needs
- All our communications are in clear English, so you don't have to wade through jargon
- We'll help you understand the complicated world of pensions

We treat you with care and consideration

- We treat you as an individual
- When you contact us, you'll get the personal touch – you speak directly to a UK-based person with no automated menus
- We respond to you quickly, so your time isn't wasted
- We give you opportunities to meet the people who look after your pension

Our customer service pillars

The first step is to pay the pensions of our policyholders, but beyond this, we ensure:

We bring the human touch
Phone calls and web chat requests go through to a member of the PIC team, based in the UK, and trained to deal with our policyholders with empathy and respect.

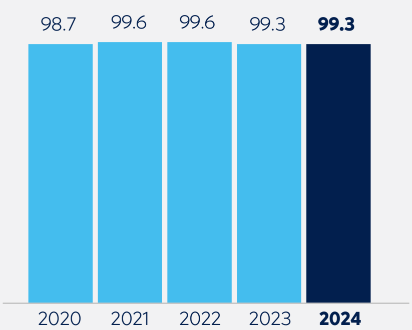
We're responsive
Calls are answered within an average of 8 seconds for 2024, and 99.6% of customer cases responded to within three days.

Customer quality is paramount
Our customer service teams delivered a 98.9% quality assurance pass rate for written and telephone case work throughout 2024, with oversight from the quality assurance teams and the PIC team. This is demonstrated in our customer satisfaction scores of 99.3%.

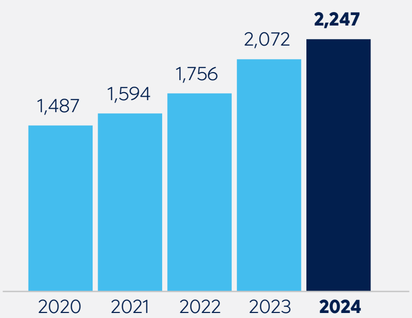
We focus on customer understanding
Communications are clear and easy to understand, with our standard suite of communications Crystal Mark approved, with Platinum status.

Our reputation is built by consistently delivering on our promises over time. We also know that this reputation is easy to lose. That's why we have made our service performance transparent and our customer service management team accountable and accessible.

Policyholder satisfaction (five-year trend) %



Pensions paid to policyholders £m



Total pensions paid (buy-ins and buyouts) 2013–2024[1]

£16.2bn

East Midlands	£879m
East of England	£2,060m
London	£1,820m
North East	£515m
North West	£1,647m
Northern Ireland	£109m
Scotland	£938m
South East	£3,644m
South West	£1,547m
Wales	£605m
West Midlands	£1,526m
Yorkshire and the Humber	£923m
Total	**£16.2bn**

1. Total paid to policyholders from 2013 onwards. Amounts paid before 2024 have been adjusted for inflation.

Customer care (continued)

Spending time with our policyholders

Our policyholder days and lunches are unique to PIC, giving our policyholders the opportunity to meet and question the people who are responsible for the payment of their pensions. We are not aware of any other financial services company which provides this type of opportunity. The events are completely free of charge, and we have welcomed over 30,000 people to them since 2011. As well as meeting our team, our policyholders have the opportunity to reconnect, and socialise, with former colleagues and make new friends, all benefits of being part of the PIC policyholder community. We invite feedback from all attendees, and have consistently achieved high net promoter scores, which is a measure of how likely they are to recommend the event.

During 2024, we held 11 events, including in new locations such as Cardiff and Southampton. Members of our Board, senior management, customer and non-customer facing staff and our customer service team all attend. In fact, more than 220 of our employees attended these events in 2024 alone.

These events are important to help the whole business connect to the significance of customer service and the challenges our policyholders face. They bring our purpose to life for all our team, giving them the opportunity to see our customers as people. During 2024 we also introduced customer insight activities at these events, talking to our policyholders about what they need from us to help us develop future service and experience enhancements. In addition to these events, we've introduced a series of 'PIC On Demand' online videos for our customers. These videos feature a variety of guest experts such as health and wellness expert Dr Sarah Jarvis, and financial journalist Paul Lewis, covering topics including how to protect yourself from online fraud, health and maturity, and mindfulness. They feature alongside members of the PIC team who provide further information about how PIC looks after their pensions.

Benchmarking and the ICS ServiceMark with Distinction

PIC has continued to work with the ICS, during 2024. The ICS is a leading independent professional membership body that assesses customer service and provides its members with market intelligence and cross-industry best practice in the field of customer service.

We hold the ICS ServiceMark with Distinction (accredited in 2017 and re-accredited in 2021 and 2024) – its highest attainable award. We received this award 'for consistently high customer service levels'. This gives us confidence that our measurement of our customer satisfaction is validated externally.

We also won the ICS's Trusted Quality Provider award for 2024. This is the sixth award we have received from the ICS. PIC also won silver at the Customer Experience Awards during the year for Best Complaints Handling by a UK Company.

Taking care of our policyholders

To ensure our customers are receiving the highest possible levels of care, we partner with specialist third party administrators to deliver our award-winning service. Our customer service model has been designed by PIC and we work in close collaboration with our administration partners to oversee and make sure our customers are receiving a high-quality customer experience. Although front-line administration is outsourced, responsibility is not; we at PIC are responsible and take great pride in the quality of care and the experience our customers receive.

Key stats

55%
Net promoter score[1]

99.3%
Customer satisfaction rate

1. NPS is a measure of how likely customers are to recommend a company to family and friends.

Service delivery times

99.3%
of calls answered within 30 seconds in 2024

8 secs
average speed of answer in 2024

Being proactive with complaints

We work closely with our administration team to ensure complaint levels are low

0.99
reportable complaints per thousand policyholders

Customer care (continued)

Customer accessibility and supportive services

We know that people can experience changes with their hearing, sight and health as they age. We've always looked to support all our customers no matter what's happening, focusing on enhancements and solutions to some of the most common situations that our customers can experience. In recognition of our work in this area, PIC was awarded the gold standard for accessible and inclusive service to customers with vulnerable circumstances, an ISO standard and the BSI Kitemark for consumer vulnerability (ISO 22458). We are the only insurer globally to have this certification, and one of very few financial services providers.
We pride ourselves in making it easy for our customers to engage with us and, where necessary, tell us about any extra support they need. We can tailor options based on the specific circumstances and needs of the customer to ensure that all our customers can have a good outcome. We use a principle of inclusive design when we make improvements to our customer experience, making sure we consider how the things we do can work for as many of our customers as possible.

We offer a range of channels to our customers. When they contact us by phone we proactively talk about the extra support options we have. This is especially helpful where some disabilities and health situations are not obvious, and customers may not know to ask for help. Where our trained customer service team identify indicators of vulnerability, we explore these with the customer directly. We've introduced voice analytics to support the team having these conversations. The conversations our customer service team have with our policyholders can be technically complex, so it can be possible to miss more subtle signs that customers need some extra support.

The software assesses the call in real-time and looks for subtle cues. It then prompts the agent to talk with the customer about their needs.

The software flags to the customer service team member that there is a potential indicator of vulnerability. The team member also has access to other customer support tools like signposting options based on the customer's circumstances.

Alternative forms of communication

When customers prefer not to call, or can't use the phone, there are a range of channels to support them. Customers who are more digitally minded can use our web chat feature, which, like our telephone line, connects to an agent rather than a chatbot. There is also the option of email and letters if that's the customer's preference.

PIC provides alternative forms of communications such as large-print documentation, Braille documents or audio files for customers who may be struggling with poor eyesight.

We also offer a ring and read option, where one of our team can talk through documents or payslips with our customers to support their independence if they can't read or understand the documents we send.

For customers who use British Sign Language, we have a specialist video-calling feature with sign language translators.

Our website accessibility is continually monitored too and any customers using adaptive technology, like screen readers, can easily get information they need and connect through to their online pension dashboard.

Our other services include dedicated processes for bereavement and serious ill health, which focus on the welfare and support of the customers or their next of kin. We record our customers' needs where appropriate to ensure that any support that is needed continues beyond the initial customer contact. Due to the sensitivity of this information, we have strong controls in place, including controlled access and reporting, as well as controls on how and when this data is used. Currently, we support approximately 100 new customers with additional needs every month.

Our customer service team all receive annual training on ensuring good outcomes for customers with vulnerabilities, supported by ad hoc training and guidance from our Vulnerable Customer Officer, specialist charity groups or any new support services.

Customer care (continued)

Case study: **London policyholder day**

Our purpose is to pay the pensions of our current and future policyholders. With this at the heart of everything we do, we are for policyholders, and we are for their future prosperity.

We continue to invest in our much-loved policyholder days and lunches to ensure every employee understands the importance of customer service and the challenges facing policyholders. We believe our willingness to put our Chairman, CEO, Board members and senior management in front of our customers demonstrates, to our policyholders, genuine confidence in our business.

This year we held our largest ever policyholder events programme, visiting nine locations across the country, with more than 3,200 policyholders attending. Our London event was hosted at Alexandra Palace.

Policyholders enjoyed complimentary services, including massage chairs, health advice, games, an art zone, and a book corner. Senior managers made presentations on how we keep pensions safe, our investments in social housing and UK infrastructure, and our commitment to great customer service.

Over the past 14 years, our events programme has been attended by more than 30,000 people. We expect to hold many more in the future.

For policyholders.

Customer care (continued)

Case study: **Policyholder inspirational story**

For Phil.

At the age of 65, Phil entered a 3,000 nautical mile rowing race across the Atlantic, raising funds for charities that help him support his son Tom, who was born with quadriplegia. Phil's inspirational story shows why we take our purpose so seriously – for Phil's future and Tom's future.

"Our race was different to our competitors because we had the only formal ocean rowing boat, meaning it was made of wood. Their race was for speed, our race was for endurance.

Preparing for this challenge was difficult, you don't know how long you'll be at sea. We spent hours training in the North Sea and on many occasions would take Tom with us. He would sit with his wheelchair propped at the back and he loved it. In the race, we rowed for 70 days, 11 hours and nine minutes and Tom was always in my heart.

Even though I'm now approaching 70, that's just a number. I'm still thinking about the future. What can people learn from my story? Excitement, desire, longing, fun and enjoyment. Always believe in yourself and then you can make it happen. For you and for the people you love."

Phil Pugh
PIC policyholder and former member of the BAT UK Pension Fund

Phil Pugh, proud PIC policyholder and his son, Tom

Investments

Investing for our future.

Rob Groves
Chief Investment Officer

PIC's investment strategy is driven by our purpose, which is to pay the pensions of our current and future policyholders. This means we have built a resilient portfolio which provides the secure, long-term cash flows to match our pension liabilities, which stretch out decades into the future.

At year end, we had a portfolio of £50.9 billion of assets (FY2023: £46.8 billion) invested in fixed income assets which we source from public and private markets. We also had £44.3 billion (FY2023: £41.2 billion) of insurance liabilities.

Growth assets performed strongly over 2024. Government bond yields also rose sharply. This, alongside very tight credit spreads, increased flows into government debt, which in general provided a better risk adjusted return than corporate debt. The strong performance of growth assets happened despite increased political uncertainty due to the elections across the world, including in the US, UK, France and India, as well as the key geopolitical challenges of the Russia-Ukraine war and the ongoing hostilities in the Middle East.

Our portfolio

With very long-term pension liabilities to match, we are very long-term investors and look to manage risk within the portfolio over multiple economic cycles. This will include market downturns, recessions, inflation and deflation. So, a key part of our investment process is consideration of the sustainability of the asset over future decades.

This means, for example, that we actively consider the risks of otherwise sound investments becoming 'stranded' due to shifting policy and regulation, for example, on Net Zero.

Our portfolio is predominantly invested in low-risk, investment-grade corporate debt and UK Government bonds. At 31 December 2024, 92% of the portfolio, including gilts and government bonds, was rated investment grade (FY2023: 91%). During the year we re-weighted our portfolio more towards gilts where credit-risky assets were expensive and, in general, not providing good risk-adjusted returns. This approach was primarily driven by better relative value of gilts versus corporate credit noting the very tight credit spreads.

One consequence of this strategy is that we have under-deployed capital leading to a higher than normal solvency ratio.

As volatility returns and credit spreads increase we will see more opportunities to invest in higher yielding assets like UK infrastructure and housing.

This will of course require more of these investment opportunities to come to market. Sectors that have been big issuers in previous years have held back for idiosyncratic reasons. For example, issuance from the social housing sector has been muted due to higher interest rates, following the recent period of high inflation, and the challenge of retrofitting existing property in order to meet new energy-efficiency and other regulatory requirements.

Other defensive actions that we took included moving out of cyclical sectors such as automotives, and metals and mining, and investing more into dependable sectors such as utilities, finance, and non-cyclical consumer industries. We continue to have minimal exposure to consumer cyclical industries, such as retail and entertainment at 5% of the portfolio, because the additional return versus less cyclical sectors is not reflective of the additional risk. We have no direct commercial real estate loans and limited exposure to commercial property more generally, representing less than 2% of the portfolio, with an average rating of A+.

During the year, we saw zero defaults and limited downgrades.

At 31 December 2024, £12.7 billion (FY2023: £10.9 billion) was invested in sustainable assets. These are assets that we define as having a positive impact on stakeholders and include investments in social housing.

The overall composition of the portfolio is therefore well positioned to withstand economic stresses, ensuring the portfolio delivers the cash flows required to pay the pensions of our policyholders over the coming decades.

+ For more information see Sustainable assets on **pages 60-61**

Key stats

Financial investments
£50.9bn
2023: £46.8bn

Privately sourced debt investments in 2024
£2.0bn
2023: £1.8bn

Total UK direct investments[1]
£13.8bn
2023: £13.0bn

1. Amount invested to date is estimated based on available historic data.

Investments (continued)

Financial investments by asset class (31 December 2024)

	2024	2023
Debt securities – Gilts and Governments Bonds	**39.0%**	36.2%
Debt securities – Corporate	**30.2%**	33.4%
Debt securities – Private investments	**18.4%**	17.8%
Equity release mortgages	**2.0%**	2.4%
Mortgage backed and other asset backed securities	**0.5%**	0.6%
Participation in investment schemes	**6.0%**	8.7%
Participation in liquidity funds	**3.9%**	—%
Deposits with credit institutions	**—%**	0.9%

Corporate securities and private investments by rating

	2024	2023
AAA	**4%**	3%
AA	**16%**	15%
A	**42%**	39%
BBB	**37%**	42%
BB or below	**1%**	1%
Unrated	**—%**	—%

Corporate securities and private investments split by industry sector

Sector	Market value 2024 £m	2024 %	Market value 2023 (Restated*) £m	2023 (Restated*) %
Utilities	**5,574**	**22.3%**	4,617	19.3%
Financials	**4,203**	**17.0%**	4,579	19.1%
Housing associations	**2,569**	**10.4%**	2,154	9.0%
Infrastructure	**2,045**	**8.3%**	1,703	7.1%
Consumer, non-cyclical	**1,686**	**6.8%**	1,371	5.7%
Education (includes universities and student accommodation)	**1,573**	**6.4%**	1,754	7.3%
Telecoms, media and technology	**1,500**	**6.1%**	2,374	9.9%
Consumer, cyclical	**1,297**	**5.2%**	1,239	5.2%
Sovereigns, sub-sovereigns and municipals	**1,132**	**4.6%**	586	2.4%
Renewable energy	**1,040**	**4.2%**	1,088	4.5%
Real estate	**769**	**3.1%**	857	3.6%
Commodities	**543**	**2.2%**	729	3.0%
Not for profits	**511**	**2.1%**	536	2.2%
Structured and other finance	**322**	**1.3%**	391	1.6%
Total	**24,764**	**100.0%**	23,978	100.0%

*2023 industry sectors have been restated following an internal review of the sector classifications.

Corporate securities and private investments split by country/region of issuance

Country	Market value 2024 £m	2024 %	Market value 2023 £m	2023 %
UK	**12,240**	**49.4%**	11,909	49.7%
US	**5,897**	**23.8%**	6,246	26.0%
Europe (ex UK)	**5,054**	**20.4%**	4,209	17.6%
Rest of world	**1,573**	**6.4%**	1,614	6.7%
Total	**24,764**	**100.0%**	23,978	100.0%

Corporate securities and private investments split by currency

Currency	Market value 2024 £m	2024 %	Market value 2023 £m	2023 %
GBP (£)	**15,198**	**61.3%**	14,863	62.0%
USD ($)	**7,099**	**28.7%**	7,651	31.9%
EUR (€)	**2,422**	**9.8%**	1,409	5.9%
CHF	**45**	**0.2%**	55	0.2%
Total	**24,764**	**100.0%**	23,978	100.0%

Investments (continued)

Breakdown of private investments by sector in 2024

	2024
Sovereigns, Sub-Sovereigns and Municipals	**29%**
Financials[1]	**23%**
Utilities	**16%**
Infrastructure	**10%**
Transport	**9%**
Industrial	**4%**
Consumer, Cyclical and Industrial	**3%**
Other	**3%**
Real Estate	**2%**
Public Finance	**1%**
Total invested	**£2.0bn**

1. Financials includes but are not limited to banks, asset managers and structured finance.

Private investment activity

At 31 December 2024, PIC had £9.4 billion invested in total in sectors like affordable and social housing, urban regeneration, renewable energy, and the UK's universities. These types of investments, which are typically privately arranged, provide PIC with attractive, secure, inflation-linked cash flows that back our pension obligations over the coming decades.

By investing in the types of long-term projects that create significant social value, we are developing the infrastructure and housing that the country needs. This creates jobs and skills development opportunities as well as providing a measure of intergenerational equity, whereby the capital backing the pensions of older people is used to build the infrastructure and housing used by younger, and future, generations.

The long-term nature of these projects means they are a good match for the secure cash flows required to pay the pensions of our policyholders for many decades into the future. Indeed, one reason why they work for our portfolio is that they help us to match liability cash flows at durations when public market debt investments typically aren't available.

2024 was a difficult year for UK investors looking to back infrastructure and housing projects. High interest rates reduced supply and tight credit spreads constrained our demand for private credit assets.

So we were pleased to invest around £2.0 billion during the year in high-quality assets in sectors including UK housing and infrastructure. Almost £1.0 billion of this was conducted with long-term partners, whereby our existing relationships led to attractive opportunities with strong fundamentals. This included our £50 million investment in Peel Ports, our second transaction with the issuer, following our initial £33 million debt investment during 2023. We also continued our partnership with Northern Ireland based Apex Housing, with a £30 million investment, following a previous investment of £100 million in 2021.

Overall, from our total £50.9 billion portfolio of public and private investments, £30 billion is invested in the UK.

Built environment

To date, we have invested more than £5.9 billion in built environment projects such as social and affordable housing, Build-to-Rent developments and senior living. These types of projects help to regenerate our cities and provide local employment opportunities, with over 7.1 million on-site hours worked across projects to date and c. 1,000 people working on our construction sites in 2024, with c.56% on average of those jobs being done by local labour.

During the year, we were delighted to fully let our award-winning Build-to-Rent scheme, New Vic, in Manchester, ahead of schedule and with excellent feedback from residents, including a 91% mystery shopper score (against an industry benchmark of 72%). We were also pleased to complete the first two buildings at Millers Quay, the UK's largest urban regeneration development, which have now welcomed their first residents.

In addition, we announced the practical completion of Arbour, a landmark Build-to-Rent scheme located in the heart of central Milton Keynes. The £80 million redevelopment of a brownfield site provides 306 residential apartments purpose-designed for rent, 43 of which are offered at a discounted market rate.

In November 2024, the Government announced Habiko, a £54 million joint venture between PIC, Muse and Homes England. Habiko will bring forward 3,000 low-carbon, low-energy affordable homes for the rental market. The 12-year partnership is designed to unlock institutional funds for use on affordable housing delivery (see case study on pages 20 and 21).

Through our senior living strategy SLIP, a joint venture with Octopus Real Estate, we announced the third investment with Elysian residences, in to an integrated retirement community ("IRC") in Henley-on-Thames. The new IRC will include 14 one-bedroom, 84 two-bedroom and two three-bedroom homes. The development is part of a wider strategic partnership with Elysian Residences. The development will have a range of amenities designed to enhance the quality of life for residents and the village will be centred around communal spaces and central facilities, promoting the strong sense of community and wellbeing among residents that Elysian homes have become known for.

Overall, 2024 has been a good year for the portfolio and we look forward to 2025, where we might expect some unwinding of the current tightness in credit spreads which should present investment opportunities for us.

Rob Groves
Chief Investment Officer

Investments (continued)

Case study: **Apex Housing Association**

For long-term partnerships.

The completion of our £30 million debt investment in Apex Housing Association, in February 2024, will support the development of 300 to 400 new homes as part of Apex's long-term strategy.

Apex is a regulated housing association currently managing over 7,000 homes in Northern Ireland and is the third largest housing association in the country.

The new homes funded by PIC's investment will be extremely energy efficient. Apex intends all new homes to have a minimum EPC rating of 'A' from 2024.

This investment with Apex followed an initial investment of £100 million in 2021.

Since 2012, we've invested over £2.8 billion in social housing in all four countries of the United Kingdom and will continue to forge long-term partnerships into the future.

PIC is a valued partner following our initial transaction in 2021 and having the opportunity to work again with a team that has such a strong understanding of the social housing sector makes for an efficient and successful process. We valued PIC's flexibility, including the ability to defer drawdown.

Roderick Canning
Finance Director at Apex

Investments (continued)

Case study: **Peel Ports Group**

For infrastructure partners.

Our investment of £50 million with Peel Ports Group will support future sustainable developments across its portfolio in a strategically important sector of the UK.

Ports handle c.95% of international trade and are a critical component in addressing geopolitical pressures, such as energy security, by providing storage and handling of a range of fuels. They are leaders in enabling the government's Net Zero ambitions.

Our ability to offer a 12-year financing solution, in a floating rate format, provided Peel Ports Group with the additional flexibility they needed to fund large infrastructure investments. It was our second transaction with Peel Ports Group following our participation in a funding round in 2023, when we provided £33 million.

Peel Ports Group recently announced several major projects including two £25 million ship-to-shore cranes at the Port of Greenock in Scotland; £30 million for a new roll-on-roll-off berth facility at the Port of London Medway; and £25 million to build the new Alexandra warehouse complex at the Port of Liverpool.

The diversity of cargo transited, a varied customer base, long-term contracts, and ability to adapt their offering makes ports resilient through business cycles and an attractive asset for buy-to-hold investors like PIC looking for secure, long-term cash flows.

Dr Vladan Martinovic
Senior Debt Origination Manager at PIC

Investments (continued)

Case study: **New Vic Manchester**

For communities.

New Vic in central Manchester is PIC's first Build-to-Rent development. It spans two towers and offers 6,000 square feet of commercial space and over 17,000 square feet of residential amenities in the form of 520 high-quality homes. Fully let, ahead of schedule, New Vic showcases why we're investors in the future, a future where individuals like Jane and Michael can flourish.

"New Vic was the first and only property we viewed when we decided to move. We are commuters and wanted a vibrant community.

Its location, adjacent to Manchester Victoria train station, is unbelievably convenient. The amenities, like the sound-proofed co-working booths, are so thoughtful and there's a great sense of community. The in-house resident team host regular events including a Halloween quiz night.

Everyone is so friendly and outgoing. It has a family friendly vibe with children playing piano in the lounge and young parents throwing baby showers in the dining room.

It makes you feel this is the place to settle down. The best thing about living at New Vic is having morning coffees on the balcony, with breathtaking city views.
It really makes you feel good about life and starts the day right."

Jane Hou and Michael Lin
Residents in PIC's Build-to-Rent development, New Vic

Stakeholder engagement

Balancing the needs of our stakeholders.

A key part of fulfilling PIC's purpose is balancing the needs and requirements of the Company's stakeholders. Our success and long-term sustainability depend on taking into account the views and needs of our stakeholders. The Board maintains close oversight of our key stakeholder relationships and takes an active role in engaging with them.

Our strategic objectives

- **To continue building a secure and sustainable business**
- **To carry on leading as a responsible corporate citizen**
- **To keep on driving long-term value growth**

For more information on our KPIs see **pages 16-17**

Policyholders

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

Link to KPIs

- Solvency ratio
- Fitch rating
- Policyholder satisfaction

For more information on our KPIs see **pages 16-17**

Link to strategic objectives

See more about the journey from scheme member to PIC policyholder on **pages 26-27**

Why we engage

- Our policyholders are central to our business, but they did not buy their annuity from us – the trustees of their original defined benefit scheme did
- Given the demographic of our policyholders, there is an increased possibility of them having vulnerable circumstances. We seek to establish an ongoing relationship built on exceptional customer service and the right customer outcomes

What matters to them

- That they can rely on us
- Security of their pension benefits
- Timely, accurate pension payment process
- Jargon-free communications
- Accessible and accountable senior management
- Customer service focused on achieving the right outcomes
- Proactive management of policyholders with vulnerable circumstances
- PIC's reputation as a company that creates significant social value

How we engage at Board level

- The Chair of the Customer Committee provides an update on the Committee's activities and key discussions and decisions to each Board meeting
- The Chair also acts as the Board's Vulnerable Customer and Consumer Duty Board Champion, overseeing policyholder outcomes
- Board members attended several policyholder events in 2024, meeting and engaging with policyholders

How we engage across the Company

- PIC's purpose, culture, and values ensure employees understand the importance of our policyholders to the business
- More than 220 PIC employees attended a policyholder event in 2024
- PIC employees are interviewed on our customer focus as part of the ICS accreditation process for ServiceMark with Distinction

Outcomes from our engagement

- PIC is one of the most highly rated companies in the country for quality of customer service (Institute of Customer Service ("ICS") Survey)
- PIC won the Institute of Customer Service's Trusted Quality Customer Service Provider award 2024
- Board members who have attended policyholder events have shared their feedback with the wider Board, including that they are a helpful method for the Board to engage with our policyholders and understand their needs

Stakeholder engagement (continued)

Defined benefit pension scheme trustees and sponsors

This stakeholder group is vital for the future growth of the Company

Link to KPIs

- Solvency ratio
- Fitch rating
- Policyholder satisfaction

Link to strategic objectives

Why we engage

- These stakeholder groups are primarily responsible for bringing buyouts and buy-ins to the pension risk transfer ("PRT") market
- It is their decision whether to conclude a buyout or buy-in with PIC

What matters to them

- Competitive bid process
- Track record of delivering on our promises
- Excellence in customer service
- Partnership approach, especially where there is a long-term relationship
- Flexibility and innovative thinking to help them achieve their de-risking goals
- The creation of social value through the assets they pass to us
- Systems and processes that allow transactions to complete even in difficult markets
- Smooth transition process

How we engage at Board level

- Our relationship with, and the expectations of, the trustees are discussed alongside each deal considered by the Board
- Feedback received from the trustees and consultants is factored into the Board's strategic discussions around new business and underpins the Board's approval of the business plan

How we engage across the Company

- We are responsive to the evolving needs of trustee boards and to market trends - e.g. the launch of Mosaic
- Every transaction and transition process is handled by a dedicated team
- We tailor transactions to meet the particular needs of the client
- Our focus on high levels of customers service includes every trustee client
- PIC has a partnership approach with our long-term trustee clients (buy-ins)

Outcomes from our engagement

- PIC has insured the benefits of 397,100 pension scheme members to date
- PIC has paid £16.2 billion in pensions to date, with a 99.3% customer satisfaction rating
- Total liabilities covered by repeat transactions to date are £20 billion, covering the benefits of 115,000 scheme members
- Repeat transactions during 2024 included the TotalEnergies buy-in, following an initial transaction in 2014

Regulators and policymakers

PIC operates in a market that is subject to both regular political scrutiny and close regulatory oversight via the Prudential Regulation Authority and the Financial Conduct Authority

Link to KPIs

- Solvency ratio
- Fitch rating
- Policyholder satisfaction
- Carbon intensity

Link to strategic objectives

Why we engage

- Working with, and being responsive to the needs of, our regulators is key to fulfilling PIC's purpose
- Close engagement with politicians helps them understand the barriers to investment in UK infrastructure, and the demographic profile of defined benefit pension schemes as they formulate pension policy

What matters to them

- For regulators: the Prudential Regulation Authority ("PRA"), as PIC's primary regulator, oversees our business. It is important that we are always focused on our purpose
- The Financial Conduct Authority ("FCA") looks after the interests of our policyholders and on good outcomes for policymakers on good outcomes for our policymakers.
- Policymakers are interested in our investment flows into UK infrastructure and the creation of social value

How we engage at Board level

- The Board maintains a constructive and open relationship with our regulators. The Directors and senior management meet regularly with the PRA
- The Board and the Board Risk Committee review and challenge regulatory responses and submissions to the PRA and FCA, prepared by management
- A report is presented at each Board meeting and Board Risk Committee meeting with an update on the priorities and concerns of the regulators that affect the Group

How we engage across the Company

- PIC seeks to proactively address questions posed, and any concerns raised, by our regulators
- PIC is a leading voice in the national debates about the role of pension savings and investment in UK infrastructure and the London Stock Exchange
- PIC seeks to maintain an open, constructive dialogue with our regulators and other stakeholders

Outcomes from our engagement

- PIC has been a leading voice in the various debates about pension scheme reform and investment in the economy, including through our membership of the Chancellor's British Infrastructure Taskforce
- PIC has continued to socialise these ideas through the Purposeful Finance Commission, our project on social value creation through infrastructure investment, and produced several papers on the benefits of consolidating the Local Government Pension Scheme
- The Board, alongside PIC's Executive Committee, has ensured that PIC maintains a positive working relationship with our regulators

Stakeholder engagement (continued)

Employees

Our employees shape the organisation, deliver business results, and lead and develop their colleagues

Link to KPIs

- Solvency ratio
- Fitch rating
- Policyholder satisfaction

Link to strategic objectives

Why we engage

- PIC's employees are key to the Company's future success and growth
- As we continue to grow, it's important to maintain a focus on high-performing teams

What matters to them

- A clear, straightforward corporate purpose, supported by strong values
- A culture focused on excellence of outcome and a growth mindset
- An open environment which values respectful challenge irrespective of background
- The confidence to rely on colleagues
- A direct link between their roles, policyholder outcomes and the creation of social value
- A competitive rewards and benefits package

How we engage at Board level

- The senior leadership team hold regular internal events to facilitate an ongoing dialogue with employees, from which feedback is communicated to the Board
- The Board receives regular updates from management. The views and feedback from the annual employee survey are considered by the Board as part of its deliberations on culture and employee welfare
- Our employees share in the Group's success as shareholders through membership of our share plans. For example, during the year, the Board approved the launch of the 2024 save as you earn ("SAYE") scheme

How we engage across the Company

- Clear, consistent messaging about fulfilling PIC's purpose
- Management maintain high levels of engagement with employees from across the business, including through Town Halls and 'all employee' days
- Employee feedback is formally measured throughout the year, including by Investors in People, the Institute of Customer Service, and within the employee survey

Outcomes from our engagement

- PIC have held the 'Investors in People – Silver' since 2022
- 80% 2024 employee survey completion rate, with 93% saying they are proud to work for PIC
- The Board approved the newly introduced culture statement and a culture dashboard

Key suppliers

It is vital that we build and maintain strong working relationships with our suppliers to allow us to fulfil our purpose

Link to KPIs

- Solvency ratio
- IFRS Adjusted operating profit before tax

Link to strategic objectives

Why we engage

- We favour partners who share our focus on great customer outcomes
- Having strong working relationships with our partners and suppliers allows us to fulfil our purpose

What matters to them

- Long-term partnership approach
- Timely settlement of invoices

How we engage at Board level

- The Board and its Committees regularly discuss the commercial performance of PIC's suppliers, investment managers and key outsourcers, and this includes updates on key supplier relationships
- The Audit Committee and the Risk Committee regularly review and challenge the updates on the status of PIC's third party and outsourcing arrangements and due diligence
- An annual risk assessment is carried out on PIC's key suppliers. This process is integral to any Board decision in respect of critical suppliers and outsourcers

How we engage across the Company

- We work closely and collaboratively with our key suppliers
- We are committed to paying invoices within 30 business days

Outcomes from our engagement

- 93% of invoices received during the year from suppliers were paid within 30 business days (FY2023: 88%)
- In response to an Audit Committee action, PIC has reviewed the service ratings and the risk assessments of its third parties. Management uses the risk data and themes from its third party risk management solutions system to inform its assurance activities and the Third Party & Outsourcing ("TP&O") dashboard. The Audit Committee will receive an update on exit strategies for key suppliers in February
- The updated Third Party & Outsourcing Policy and Standard was presented to the Executive Committee and approved in November 2024
- Enhancements to the TP&O dashboard were recommended by the Risk Committee to illustrate progress with TP&O risk assessments and ratings

Stakeholder engagement (continued)

Shareholders and debt holders

The majority of our shares are held by a small group of institutional shareholders, with the remainder held largely by many current and former employees. The Company has £2,506 million of Tier 2 and Tier 1 debt currently outstanding, respectively listed on the London Stock Exchange and Euronext Dublin

Link to KPIs

- Solvency ratio
- Equity own funds
- IFRS Adjusted operating profit before tax

Link to strategic objectives

Why we engage

- Our respective providers of capital – our shareholders and debt holders – allow us to build for the future

What matters to them

- A purpose-led business, operating in a growing, long-term market with the opportunity for long-term value creation
- A clear risk management framework
- Transparent communication and management accountability
- Engagement on key business issues

How we engage at Board level

- The Board and the Audit Committee review and approve financial or regulatory disclosures to the market. As part of the process, they ensure this information is accurate, fair, balanced and accessible to our stakeholders
- Major shareholders' views are shared with the Board and management through their nominated Board Directors
- The Board has ongoing interactions with employees, who are the largest group by number of shareholders

How we engage across the Company

- We are responsive to the requests and needs of our debt holders, regularly meeting with them at bank investor days
- Our communications are clear and timely and give stakeholders detailed information about how we fulfil our purpose and achieve our strategic objectives
- Regular business updates include market announcements via the Regulatory News Service ("RNS"), in-person events and meetings and financial updates including with PIC's CEO, CFO and Chief Strategy Officer
- Our major shareholders (see page 124 for details) all have Board representation

Outcomes from our engagement

- At year end 2024, PIC's solvency ratio stood at 237%, with customer satisfaction of 99.3% on £2.2 billion of pensions paid in the year
- PICG had an IFRS Adjusted operating profit of £746 million
- In 2024 the Board approved the payment of dividends totalling £400 million to the Group's shareholders. Further information on this can be found on page 70

Privately sourced debt counterparties and investment partners

We have invested £13.8 billion in UK housing, infrastructure and other assets. This includes social and affordable housing, urban regeneration, and UK universities. We seek to form long-term partnerships with our debt counterparties

Link to KPIs

- Solvency ratio
- Equity own funds

Link to strategic objectives

Why we engage

- In order to source the secure, long-term cash flows that will back our pension liabilities over coming decades
- Privately sourced debt investments help us provide trustees with competitive pricing for PRT transactions. They increase diversification, overall security and the value of the portfolio

What matters to them

- Ability to tailor transactions that meet their funding needs, including deferred drawdown
- An approach that emphasises a long-term partnership
- A purposeful approach and outcomes that emphasise the creation of social value

How we engage at Board level

- The Investment and Origination Committee reviewed and challenged management on new investment strategies and proposals
- The Board approves any new strategies and continues oversight of our direct investment portfolio

How we engage across the Company

- We work with counterparties to shape transactions that meet everyone's needs
- A partnership approach allows ongoing engagement with trusted counterparties and development partners, resulting in repeat investments

Outcomes from our engagement

- £2.0 billion of privately sourced debt investments, including in social housing, the UK's ports, renewable energy and other infrastructure
- In 2024, over 46% of our privately sourced debt investments were to our existing partners
- The Board approved a number of core strategies including the Sustainable Asset Strategy

Section 172 statement

Promoting the long-term success of the Company.

The Board of Directors, individually and collectively, make the following statement in relation to the year ended 31 December 2024, in compliance with sections 172 ('Section 172') and 414CZA of the Companies Act 2006.

The Directors and the Board confirm that during the year, they have acted in a way they consider, in good faith, is likely to promote the success of the Company for the benefit of its members as a whole, while having due regard for the matters set out in s.172(a)-(f) of the Companies Act 2006 being:

(a) the likely consequences of any decision in the long term;

(b) the interests of the Company's employees;

(c) the need to foster the Company's business relationships with suppliers, customers and others;

(d) the impact of the Company's operations on the community and the environment;

(e) maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly between members of the Company.

The statement summarises how the Board promotes the long-term success of the Company by ensuring it adheres to the highest standards of business conduct, understanding the long-term implications of its decisions and ensuring that all stakeholders are treated fairly.

How the Board has fulfilled its s.172 duties

The information below explains how the Board is supported in carefully considering the relevant s.172 factors and how these lead to its selection of the best course of action to ensure the long-term success of the Company.

Board information

- Board papers include a summary of the s.172 factors.
- Our Board continually engages with key stakeholders and key stakeholder activity is recorded and included in the Board papers where applicable.

Board strategic discussion

- The Group's culture ensures that there is proper consideration of the potential impacts of decisions on stakeholders.
- S.172 factors considered in the Board's discussions on strategy, including how they underpin long-term value creation.
- The Executive team provides information to the Board on a timely basis and assurance to the Board where appropriate.
- Our Chairman ensures that there is proper consideration of the potential impacts of the Board's decision making.
- The Board ensures that s.172 factors are sufficiently taken into consideration in its decision making.

Board decision making

- The Board is provided with updates and information on the outcomes of its decisions.
- Actions are taken as a result of Board engagement and dialogue with key stakeholders.

Engagement by the Board with stakeholders

The Board recognises that stakeholder engagement is essential to understand what matters most to our stakeholders and the likely impact of our key decisions. The Board must balance the sometimes conflicting needs and priorities of our stakeholders, while ensuring they promote the long-term success of the Company; therefore, relevant stakeholder considerations are integral to Board discussions and its decision-making process.

Understanding the needs of our different stakeholders enables the Board to take proper account of stakeholder impacts and interests in decision making. The Board recognises that considering the impact of decisions on each stakeholder group will help the Directors to deliver the Company's strategy in line with the wider PIC Group and will promote the long-term sustainable success of the Company and the Group.

The Stakeholder engagement section on pages 40 to 43 sets out how the interests of each of these key stakeholders is embedded into the long-term strategy of the business.

The Board focuses on the Group's purpose, of paying the pensions of our current and future policyholders, as it considers generating long-term value. With the increasing focus on the relationship between stakeholder interests and governance, we take additional care to ensure such considerations are documented and stay at the forefront of the Board's attention.

Section 172 statement (continued)

The Board has a duty under s.172 of the Companies Act 2006 to promote the success of the Company and, in doing so, the Board must have regard to a number of key matters in its decision making.

For more information, see **pages 44-49**

Board papers include a table setting out s.172 factors and relevant information relating to them.

The Board continually engages with key stakeholders and key stakeholder activity is recorded and included in the Board papers where applicable.

Read more on **pages 40-43**

Board information

S.172 factors are considered in the Board's discussions on strategy, including how they underpin long-term value creation.

Our Chairman ensures that there is proper consideration of the potential impacts of its decision.

Board strategic discussion

The Board ensures that s.172 factors are sufficiently taken into consideration in its decision making.

The Executive team provides information to the Board on a timely basis and assurance to the Board where appropriate.

Board decision

The Board is provided with updates and information on the outcomes of its decisions.

Actions are taken as a result of Board engagement and dialogue with key stakeholders.

Section 172 statement (continued)

Our strategic objectives

- To continue building a secure and sustainable business
- To carry on leading as a responsible corporate citizen
- To keep on driving long-term value growth

The following sections demonstrate how the Directors fulfilled their duties in respect of these obligations by addressing some of the key areas of focus for the Board.

S.172 factor	Our engagement and consideration of stakeholders
(a) **The likely consequences of any decisions in the long term** **Link to strategic objectives:** secure and sustainable business; responsible corporate citizen; long-term value growth	The Board carefully considered and assessed the likely consequences of its decisions, and it challenged management, where necessary, to ensure that any decisions taken are likely to promote the long-term success of PIC. A core component of PIC's investment strategy is fulfilling our purpose of paying the pensions of our current and future policyholders, and this means sourcing the secure cash flows needed to pay hundreds of thousands of pensions over the coming decades. The Board receives updates from the Chief Strategy Officer throughout the year and it questioned and challenged him on the progress of PIC's strategy and the strategic objectives. These updates covered a range of topics, including the PIC and PICG business plan, debt issuance and liability management, the final and interim dividend proposal and the PICG share valuation for awards under the Company share schemes. + Further details on our strategy and how the Directors considered the likely consequence of any decision in the long term can be found on **pages 48-49** and in the Stakeholder engagement section on **pages 40-43**
(b) **The interests of the Company's employees** **Link to strategic objectives:** secure and sustainable business; responsible corporate citizen	The Board had oversight of the formulation and delivery of PIC's culture and values in line with the People Policy. The Chief Executive Officer ("CEO") has responsibility for overseeing the adoption of PIC's culture into its day-to-day activities. The Board and its committees understand the strategic importance of PIC's employees and the Board had regard to the interests of employees when making decisions. The Board considered employee wellbeing and engagement, diversity and inclusion ambitions and the overall organisational culture at PIC. The Board is supportive of management's actions to keep employees informed of the Company's plans, vision, purpose and culture. The CEO, CFO and members of the Executive team hold regular Town Halls with all employees to facilitate a two-way dialogue between the Executives and PIC's workforce, and with feedback being provided to the Board. The Board receives regular updates from the Chief People Officer, which include any employee issues as well as updates on the results of the annual employee engagement survey. The views and feedback are taken into account by the Board in decisions affecting employees. + Further details about engagement with employees can be found in the Our People and Culture section on **pages 50-53** and in the Stakeholder engagement section on **pages 40-43**
(c) **The need to foster the Company's business relationships with suppliers, customers and others** **Link to strategic objectives:** secure and sustainable business; responsible corporate citizen	The Board understands the need for PIC to continue to develop and maintain strong relationships with its suppliers, customers and various stakeholders. PIC takes proactive steps to engage with its suppliers through a long-term partnership approach, and PIC carefully selects suppliers who share its customer outcomes focus and who have the capabilities to provide business-critical services. For example, PIC contracts out elements of its pension administration and customer contact to Capita and also needs to maintain strong relationships with pension advisers, who engage with PIC in respect of new business. A large number of new suppliers and contractors have been engaged to provide services to PIC as part of the move to Ropemaker Street. The Audit Committee and Risk Committee have received updates on the risk status and assurance of PIC's critical and material third parties and outsourcers. + Further details on engagement with our stakeholders can be found in the Stakeholder engagement section on **pages 40-43**

Section 172 statement (continued)

S.172 factor	Our engagement and consideration of stakeholders
(d) **The impact of the Company's operations on the community and the environment** **Link to strategic objectives:**	The Board understands the importance of ensuring that PIC's operations have a positive impact on the wider community and the environment. PIC is committed to building a long-term, sustainable business, based on the Company's purpose. Delivery of PIC's strategy is intended to provide employment across the economy and generate wider benefits in an environmentally and socially responsible manner. The Board has considered the progress of PIC's sustainability strategy and objectives during the year. The Investment and Origination Committee receives updates on Responsible Investing and the summary of live construction scheme performance across the PIC Capital property portfolio. PIC's approach to climate change is incorporated into the Group's wider ESG strategy and is overseen at Board-level. PIC's Climate Report (TCFD) contains insights into PIC's climate-specific strategy, risk management and governance, as well as how climate is integrated within the PIC portfolio. The Board receives an update on PIC's climate-related targets and the plan to reach these, including progress to be carbon neutral within its own operations by 2025. PIC has been a significant investor for over a decade in areas such as social housing, renewable energy and the UK's universities. + Further information can be found in the Sustainability section **pages 54-62** and the Mandatory statutory financial climate-related disclosures section on **pages 82-83**
(e) **Desirability of the Company maintaining a reputation for high standards of business conduct** **Link to strategic objectives:**	The Board is committed to ensuring that the Group operates with the highest standards of integrity and it continually reviews and tests the compliance arrangements in place to manage the Group's principal risks and ensure that PIC fulfils its purpose of paying the pensions of its current and future policyholders. PIC identifies conduct risk as one of its principal risks whereby business practices, culture or behaviours could lead to unfair or poor outcomes for customers. This may materialise by failing to pay a policyholder correctly or communications to policyholders being unclear or untimely. The Directors ensure that an appropriate framework, including relevant policies and codes of conduct are in place, and reporting and governance channels are clear and well understood and the Directors are promptly made aware of any issues that may have a material impact on PIC's reputation and operations. In practice, risk management is integrated into PIC via the Enterprise Risk Management Framework. This consists of the Risk Governance Framework, the Risk Policy Framework and the Risk Appetite Framework. The Board and the Board Risk Committee oversee the Risk Management Framework to ensure it remains appropriate for a growing business. The Board acknowledges its responsibility for setting and monitoring the culture, values and reputation of PIC. The Audit Committee receives a quarterly Compliance and Data Protection update from the Head of Compliance, and this includes a summary of corrective remedial actions taken in respect of any breaches reported in the period, any incidents of fraud, data protection incidents and data subject access requests. The Audit Committee receives an annual report from the Money Laundering Reporting Officer on the operation and effectiveness of these systems and controls. All employees are required to complete mandatory e-learning in respect of matters such as financial crime, whistleblowing and the Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA")' conduct rules. The Executive Committee is informed about the completion rates of mandatory training among colleagues. The Group maintains an intranet hub where all key policies are available to employees and this is governed by a formal policy framework. + Further details can be found in the Stakeholder engagement section on **pages 40-43** and the Corporate Governance report on **pages 84-95**
(f) **The need to act fairly between members of the Company** **Link to strategic objectives:**	The Company focuses on positive engagement with its shareholders and other investors including debt holders. There are shareholder nominated directors for the four largest shareholders. The Company maintains contact with other investors through regular reporting on its corporate website and through the Strategy function. During the year, the Board approved the payment of a final dividend and an interim and special dividend to shareholders. + Further details can be found in the Stakeholder engagement section on **pages 40-43** and the Corporate Governance report on **pages 84-97**

Section 172 statement (continued)

Principal decisions made during the year

The following describes some of the key decisions made by the Board in 2024 and demonstrates how s.172 matters have been considered as part of the Board discussions and decision making.

Culture statement

S.172 factors considered – (a) and (b) in 2024

- The Chief People Officer ("CPO") provided updates to the Board on the activities to embed culture throughout PIC, and the Board reviewed the existing culture statement.
- The Board discussed the proposed culture statement and challenged the CPO to refine it to more clearly articulate how PIC's core values – resilient, adaptable, and loyal – underpin PIC's culture and the desired employee behaviours to help PIC to fulfil its purpose.
- The PIC and PICG Boards approved the refreshed culture statement in November 2024. In its discussions, the Board was supportive of the five categories of metrics to be used in the culture dashboard. It was agreed that management would develop a dashboard of metrics and definitions of behaviours being encouraged and that this would be presented to the Boards for consideration in Q1 2025.
- The culture dashboard includes definitions of behaviours being encouraged and metrics to monitor compliance.

Continuing actions

- The Board will receive regular updates from the CPO on the embedding of PIC's desired culture into the business.
- The Board will continue to engage with management on the development of the culture dashboard, and monitor whether there are emerging themes or trends in these metrics.
- The CPO will present the culture dashboard to the Board in Q1 2025.

Where to find out more

Board activities in the Corporate Governance report	**p105-106**

Consumer Duty compliance

S.172 factors considered – (c) and (e) in 2024

- The Board and the Customer Committee considered and discussed the activities in respect of implementation and embedding of the Consumer Duty within PIC.
- The management-level Customer Committee and the Customer Committee received regular updates on the delivery of the workstreams within the Customer Programme and PIC's preparedness to deliver its first Consumer Duty Board Report ("CDBR").
- The Customer Committee thoroughly reviewed and challenged the final draft of the CDBR and recommended this to the PIC Board for approval.
- The PIC Board approved the final CDBR for publication to the FCA before 31 July 2024.

Continuing actions

- Management will address the key actions identified in the CDBR that need to be taken to ensure that PIC continues to deliver good outcomes for policyholders.
- The Customer Committee will continue to monitor the reporting provided against the Consumer Duty outcomes, the development of the Consumer Duty metrics, the narrative alongside these metrics and the progress on completion of the actions identified in the CDBR.

Where to find out more

Corporate Governance report	**p86, 105**

Sustainability Reporting and Sustainable Assets Framework

S.172 factors considered – (d) in 2024

- The Investment and Origination Committee ("IOC") reviewed the Sustainable Assets Framework and recommended it to the Boards for approval.
- The PIC and PICG Boards approved the Sustainable Assets Framework.
- Approval of the Sustainable Assets Frameworks shows PIC's commitment to the robustness of the assets within our portfolio that are claimed to be 'sustainable'.

Continuing actions

- The IOC will continue to monitor and challenge the robustness of the categorisation of assets in the portfolio in respect of sustainability claims to ensure they are clear and not misleading in light of the FCA Anti-Greenwashing Rule (which PIC is in scope of), which came into force on 31 May 2024.

Where to find out more

Sustainability	**p54-62**
Environment/TCFD	**p59**
Investment and Origination Committee report	**p111-112**

Section 172 statement (continued)

Appointment of critical suppliers

S.172 factors considered – (c) in 2024

- The Customer Committee recommended the appointment of a further critical outsourced administrator for PIC and the Board approved this recommendation at its meeting on 8 February 2024.
- The Board also approved the appointment of a critical outsourcer in relation to the Investment Platform Programme ("IPP").
- The Board and its committees have considered the Group's relationship with critical third parties, with a particular focus on Capita and how this relationship is managed to align with PIC's future strategy growth ambitions.

Continuing actions

- The Audit and Risk Committees and the Board will continue to receive regular updates on the status of material and critical outsourcers, particularly those relating to the IPP.
- The Customer Committee will continue to receive updates on the relationship with Capita and relevant updates will be presented to the Board.

Where to find out more

Strategic objectives	**p14-15**
Origination, reinsurance and transitions	**p22-25**

Dividend payments in 2024

S.172 factors considered – (f) in 2024

- The Board considered the Group's financial position and whether the Company had sufficient distributable reserves to pay the proposed final, interim and special dividends. The Board considered the Group's solvency position and the 2024 Business Plan, and it was comfortable that the Company could meet the requirements of the Dividend Framework, which takes into account a range of stress and scenario testing.
- As required by the Companies Act and the Company's Articles of Association, a majority of the Company's shareholders approved the ordinary resolution authorising the payment of the final dividend for the year ended 31 December 2023.
- During the year, the Board approved the total dividends of c.£400 million to shareholders: (i) the payment of the 2023 final dividend of £147 million, which equated to 11.0 pence per ordinary share in May 2024, and (ii) an interim dividend of £147 million, which equated to 11.0 pence per share, along with the payment of a special dividend of £106 million, which equated to 8.0 pence per share in September 2024.

Continuing actions

- The Board will consider the appropriateness of the payment of future dividends to the Company's shareholders annually, or at a suitable alternative frequency, pursuant to the dividend policy and framework.

Where to find out more

Strategic objectives	**p14-15**
Chief Financial Officer's review	**p63-71**
Chairman's introduction to corporate governance	**p86**

Our people and culture

Working together for the future.

Dara McCann
Chief People Officer

At PIC, we emphasise a high-performance culture, where our employees are encouraged to both give and receive challenge, and where they are enabled to develop solutions.

Our purpose and objectives underpinned by our culture set the direction of travel for the business. They provide the framework within which we can get the best outcomes for our stakeholders and create significant social value.

Our values – resilient, adaptable and loyal – are the principles underlying our culture, dictating the behaviours which allow us to fulfil our purpose and drive value for our shareholders. They encourage diverse perspectives and a leadership mentality among our employees.

The pension risk transfer ("PRT") market will, ultimately, be responsible for paying the pensions of millions of former defined benefit pension scheme members.

As the industry gets bigger it actively contributes to alleviating the challenges of an ageing society in a reliable and secure manner. This responsibility is not underestimated by us. PIC is known for being purpose-led and outcome-focused, and as a result we value and invest in maintaining a high-performance culture.

During 2024, we have continued to invest in our employees and their working experience with additional enhancements to remain competitive.

To reflect our growth, at the end of the year we moved to a state-of-the-art new office at 22 Ropemaker Street, equipped with leading-edge technology, a subsidised staff canteen and a games area.

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

Clear and communicated strategic objectives

Our values

Resilient

No matter what comes our way, we can rely on each other. We all manage company risk to provide long-term stability and financial security for our policyholders. Our strong, conservatively managed balance sheet and low-risk portfolio means we have resilience against difficult economic events over the long term.

Adaptable

We listen carefully and are not afraid to learn and challenge ourselves and others. We always seek to deliver the right outcomes for our customers, for each other, and for our business even where that means changing existing practice.

Loyal

Our policyholders are our customers for life, so doing the right thing is very important to us. We invest in building durable relationships, proving ourselves to be dependable and dedicated. We know the benefit of working together as a team. We respect, value, reward and nurture our colleagues.

Underpinned by our culture

Our customers are our priority

Our people ensure we stand out from the crowd

Our people and culture (continued)

The brand new building provides a setting that reflects our strong culture focused on our values and the multifaceted needs for our people. We understand that our employees work in different ways and have sought to accommodate this, with quiet spaces, project rooms, and ready-to-go meeting areas.

> **Our values – resilient, adaptable and loyal – encourage diverse perspectives and a leadership mentality among employees.**

Employee engagement

Employee engagement is the extent to which employees feel connected to and motivated by the work that they do.

Our high employee engagement scores continue to set PIC apart as a place for people to do meaningful work. We foster an environment that is both challenging and supportive, where our employees are rewarded and recognised for their contribution. Ultimately, we take pride in making PIC a place where employees can succeed personally and professionally while fulfilling our purpose.

PIC has become a leading employer, and we want to hear about the views and experience of working life at PIC.

We therefore conduct an annual employee engagement survey that gathers information from the people that know us best: our employees.

In addition, we gather feedback following internal campaigns on subjects that matter to our employees – for example, their pension savings.

We also provide opportunities for employees to ask questions of their leadership team. They can do this during regular Town Halls and our annual all-staff conference.

In addition, during 2024 we reintroduced the Executive Committee ("ExCo") lunch programme, where ExCo members host a small group of employees at lunch for informal conversations about the Company, its strategy and any other topic of interest.

Rewarding our employees

PIC offers competitive remuneration and benefits packages suited to what would be expected of a leading financial services provider in the fast-growing PRT industry. In line with expected governance, the remuneration package is reviewed periodically with the appropriate oversight of the Remuneration Committee.

During the year, we also introduced a range of continuous service awards designed to help PIC support our employees' long-term health and long-term wealth.

These benefits include the provision of financial "MOTs" career coaching, and in-depth health assessments that provide early detection and prevention services and personalised health insights.

These benefits are in addition to the standard suite of benefits offered in the PRT industry.

Diversity

Other notable initiatives from the year included a focus on diversity. At PIC we believe that different ways of thinking lead to better policyholder and stakeholder outcomes.

This includes employee initiatives in working with specialist external partners to support colleagues and to promote awareness and education about areas of interest to them. As part of this, we were pleased to welcome a new cognitive diversity partner to PIC, GAIN (Girls Are Investors), which provides female students with a platform for learning, career development and networking opportunities. We already partner with another GAIN – Group for Autism, Insurance, Investment and Neurodiversity.

Charity partner

During the year, employees were invited to nominate and vote for our new charity partner, alongside our long-standing charity partner Independent Age. Following a process whereby appointed charities were shortlisted and put to an employee vote, youth mental health charity Beyond was selected.

Dara McCann
Chief People Officer

2024 employee engagement survey highlights

93%

believe strongly in the goals and objectives of PIC

would recommend PIC as a good place to work

believe PIC is truly customer focused

are proud to work for PIC

We're excited to partner with impactful charities, see **page 58** for more information

Our people and culture (continued)

Case study: **Early careers**

For young talent.

If we're going to deliver on future commitments, we need to invest in our own future and that means investing in young talent through our internship and graduate recruitment programmes. Ayush Bose, a graduate in the origination team, is looking to the future.

"At university, I studied Financial Mathematics, which explored the theoretical pricing of equity options. During this time, market volatility caused by the LDI crisis piqued my interest in insurer hedging strategies.

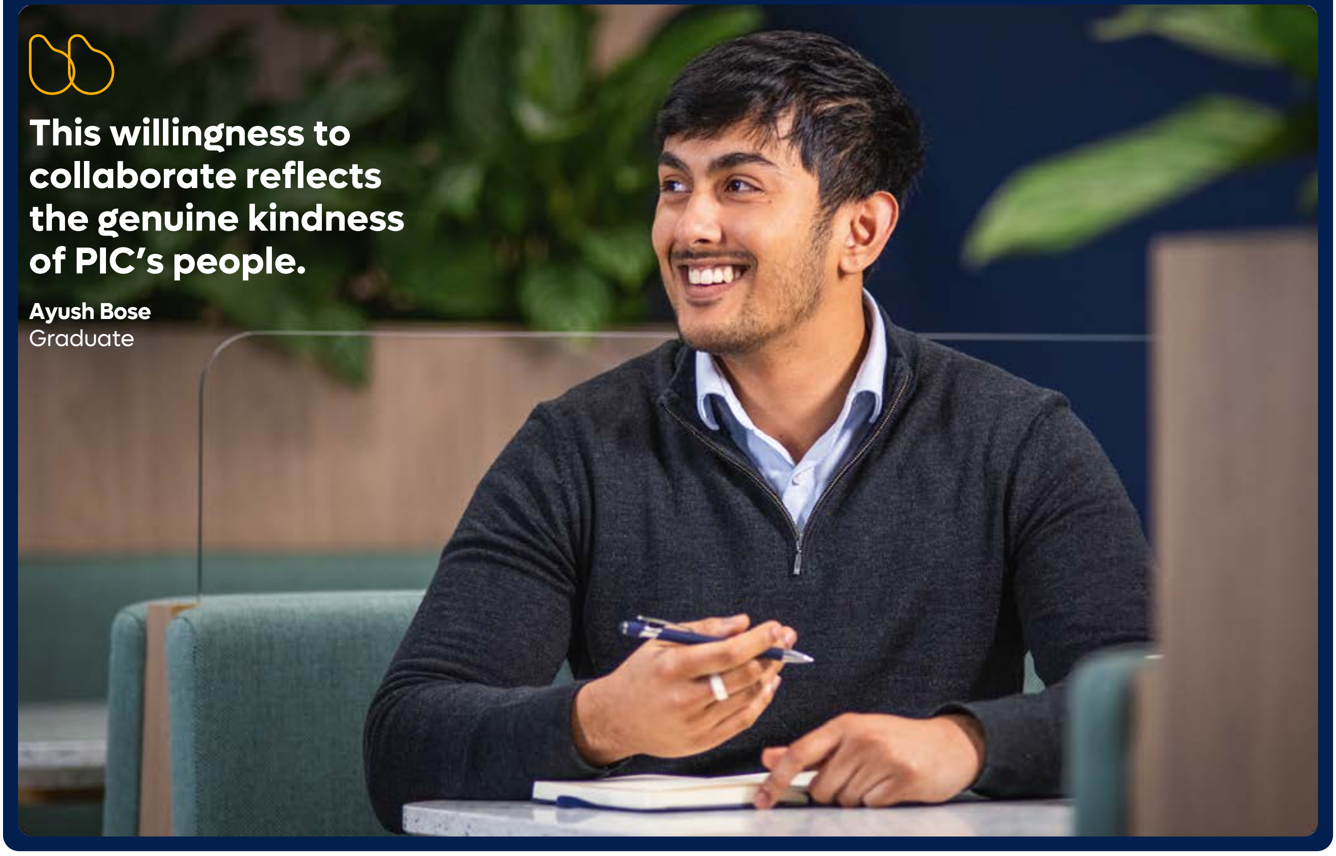
I developed a strong interest in derivatives and became familiar with the risk transfer market. In June 2024, I joined PIC as an intern.

During my internship I leveraged my mathematical skills to grasp technical concepts while learning about pensions and longevity theories.

I was offered a graduate position in the Origination team, where I'm learning about pricing bulk annuity contracts. I'm rotating into the Markets Solutions team next, where I can gain hands-on experience in financial markets and fixed-income assets, as well as derivatives – the area that first sparked my interest.

Following our move to new offices, looking out on the breathtaking view of the London skyline, I'm looking forward to building more connections.

So far at PIC I have truly valued the openness of colleagues across departments in sharing ideas and concepts with me. This willingness to collaborate reflects the genuine kindness of PIC's people, who are committed to helping one another succeed, and is a testament to the firm's highly collaborative culture."



This willingness to collaborate reflects the genuine kindness of PIC's people.

Ayush Bose
Graduate

Our people and culture (continued)

PIC's gender pay gap report 2024

About the gender pay gap

The gender pay gap is a measure of labour market or workplace disadvantage, expressed in terms of a comparison between men's and women's average (median) hourly rates of pay.

Gender pay gap reporting doesn't specifically ask who earns what, but what women earn compared with men. It provides a framework within which gender pay gaps can be surfaced, enabling us to constructively consider why they exist and what to do about them.

Mean salary pay gap

At 15.3%, we are above the indicative national average (7.7%) but below the financial services national average (24.6%). Our gender pay gap figures remain typically narrower than competitors across all measures.

Bonus pay gap

The reporting for the bonus pay gap must include all one-off payments which are subject to PAYE. This includes cash bonuses and shares at the point of exercise, rather than award. For that reason, our bonus pay gap could vary significantly each year due to circumstances beyond our control. For the current reporting period, the median bonus pay gap has increased from 23.7% last year to 33.3% in the last 12 months.

As employees in the upper quartile typically have higher bonus opportunity levels and are more likely to receive share awards, the median bonus gap will remain at a higher level until we have more women in the upper quartile. The mean bonus gap is heavily impacted by the exercise of options at Executive Committee ("ExCo") level.

Percentage of women at each quartile

On 5 April 2024, PIC had 579 employees. Whilst the proportion of male and female employees within each pay quartile has remained fairly static, there are marginally less women in the upper and upper-middle quartiles. This has had a negative impact on our mean and median salary gap.

Actions we are taking to address the gender pay gap

PIC recruited approximately 174 new joiners since 2023 and of these, 36% were women.

We remain corporate members of Women in Banking and Finance, which provides female colleagues, at all levels, with access to development and networking opportunities, and the business with channels to recruit more female talent. This is in addition to us sponsoring the successful Actuarial Mentoring Programme for an eighth year.

PIC also partnered with GAIN in 2024 (Girls Are Investors), whose "mission is to inspire and empower the next generation of women and non-binary investment professionals by providing a platform for learning, career development and networking".

Previously, we launched a PIC Academy focused on diverse early careers talent. 17 apprentices have completed their qualifications since launch and we have seven apprentices currently studying, who are gaining valuable experience, whilst undertaking a qualification supported by PIC.

This is part of our long-term strategy to provide opportunities and recruit talent from diverse socio-economic backgrounds.

Our long-term goal is to bring more diverse talent into PIC and the wider sector through this initiative.

The HR team have also reviewed other BAU processes such as external recruitment and internal moves (including promotions), to ensure processes are fair, transparent and consistent.

Additionally, further considerations are underway to understand what could be preventing individuals from a more diverse background joining financial services firms.

34.5%
of our employees are women

24%
of our employees in the upper pay quartile are women.

Average salary and bonus pay gap

	2022	2023	**2024**	Changes in last 12 months
Mean salary	10.2%	11.4%	**15.3%**	3.9% (up)
Median salary	12.5%	15.1%	**16.8%**	1.7% (up)
Mean bonus[1]	1.0%	(24.0%)	**(8.3%)**	15.7% (up)
Median bonus	18.2%	23.7%	**33.3%**	9.6% (up)

Percentage of women at each quartile

	Lower quartile	Lower middle quartile	Upper middle quartile	Upper quartile
Women	48% (45%)	34% (28%)	29% (27%)	24% (28%)
Men	51% (54%)	66% (72%)	71% (73%)	76% (72%)

1. 2022 figures do not include pension salary sacrifice as this was introduced from April 2023.

Gender pay gap definition

The gender pay gap is a measure of the difference between the average pay of men and women across the Company. It does not consider the ratio of men and women, different levels of seniority or those working part-time.

Bonus pay gap definition

The mean/median bonus pay gap is the difference between the mean/median bonus pay paid of male relevant employees and that paid to female relevant employees.

Sustainability
Introduction

A sustainable long-term business.

Simon Abel
Chief Strategy Officer & ExCo Sustainability Lead

Sustainability is at the core of our purposeful investment strategy, enabling us to pay our current and future policyholders now and for decades to come.

Our sustainability strategy enables us to focus on meeting that purpose in a responsible manner, managing risk while creating social value through our business activity and investment portfolio.

As we look back at the progress made this year, we can be proud of what we have accomplished across all four pillars of our sustainability strategy: being a long-term sustainable business, a responsible investor, protecting the environment and making communities sustainable, safe and inclusive.

- We became founding signatories to the Accounting for Sustainability ("A4S") Principles Charter for the pension risk transfer ("PRT") market and remain active participants in its related working groups
- The decarbonisation progress of our portfolio continues: we have now reduced our carbon emissions by 46% from our 2019 baseline level, and we remain well below our 2025 corporate credit portfolio decarbonisation target
- We have made strong progress in embedding sustainability as business as usual ("BAU") across the organisation with the help of our 15 Sustainability Champions and their department-specific initiatives
- We are rolling out our Supplier sustainability due diligence and Supplier Code of Conduct
- We moved into our new office on Ropemaker Street, a building which has had sustainability at the core of its design, and we are targeting a certification of BREEAM Outstanding for the fit-out. The building includes a number of features to optimise energy performance, and we have focused on using materials with excellent environmental standards wherever possible in the fit-out process
- We have maintained our signatory status to the UK Stewardship Code and have joined the Investor Forum, a network of investors working collaboratively to engage with corporates
- We engaged with over 100 investee companies either directly or indirectly and have been active in two collaborative engagement efforts
- We engaged with our reinsurance and derivative counterparties on their own sustainability capabilities
- In recognition of our progress, we were awarded Sustainable Re/insurer of the year 2024 by Environmental Finance and a 4-star assessment result from the Principles for Responsible Investing ("UN PRI"), of which we have been a member since 2020.

Our portfolio includes £12.7 billion of sustainable assets - these are categorised using a newly implemented and Board-approved Sustainable Assets Framework (see page 60). Investing in sustainable assets[1] like these not only helps us mitigate long-term risks such as climate change, but also creates significant social value. This year, we have continued to invest in areas such as renewable energy, clean transport, social and affordable housing, infrastructure and urban regeneration.

Our culture – prioritising our customers – is underpinned by our values: resilient, adaptable and loyal. Our employee engagement score is 80%, and 93% of employees are proud to work for PIC. PIC has been awarded the gold standard for accessible and inclusive service to customers with vulnerable circumstances and re-awarded ServiceMark with Distinction for 'consistently high customer service levels'.

Simon Abel
Chief Strategy Officer & ExCo Sustainability Lead

I am immensely proud of all that has been achieved as we continue to progress through our sustainability journey.

For more information, please see our **2024 Sustainability Report**

1. PIC defines a sustainable asset as one whose business model meaningfully relates to solving one or more of the UN SDGs benefiting people and the environment. The word 'sustainable' is chosen as it highlights the natural positive social and/or environmental outcomes that arise from a company's core business activity, rather than, for example its charity work. See pages 60 and 61 for more information.

Sustainability (continued)
Introduction (continued)

Evolution of PIC's sustainability journey

- Industry initiatives
- Investment portfolio
- Reporting and impact
- Sustainability governance and policies

2019

2019 Base year for our portfolio decarbonisation targets

2020

Signatory to the UN PRI

PRI Principles for Responsible Investment

Published first **ESG Report**

Joined ABI Climate Change Working Group

ABI

2021

Committed to become **carbon neutral by 2025** across our operational emissions

Published first **TCFD Report**

Joined NetZero Asset Owners Alliance and **committed to be Net Zero by 2050 across all emissions**

THE NET-ZERO ASSET OWNER ALLIANCE

2022

Built ESG tool kit for private markets due diligence

Established Net Zero working group, published our Sustainability Policy and Stewardship Policy

Board approved Sustainability Strategy rolled-out across the business

2023

Founding member of **Sustainability Reporting Standards** for Social Housing

Sustainability *for* Housing

Published transition plan alongside Climate report (previously TCFD report)

Accepted as a signatory to the **UK Stewardship Code**

UK STEWARDSHIP CODE

2024

Partnership with **carbon removal** company CUR8[1]

Founding **signatory of the Sustainability Principles Charter** for the BPA[2] process

A4S ACCOUNTING FOR SUSTAINABILITY

Environmental Finance Sustainable Investment Awards 2024 Winner Re/insurer of the year

1. To offset 2022 and 2023 Air Travel emissions through a diversified portfolio of carbon removal projects.
2. Bulk Purchase Annuity ("BPA").

Sustainability (continued)

Sustainability strategy

Our sustainability strategy's overarching objective is to ensure we fulfil our purpose by managing long-term risks and helping create significant long-term social value, meaning sustainable benefits for the individuals and communities, the environment and the economy.

Our strategy positively impacts all our stakeholders, including the people who rely on us to pay their pensions. It enables us to achieve our strategic objectives in a responsible manner.

The strategy has four distinct pillars which, together with our Sustainability Target Operating Model, focuses on delving deeper into our corporate strategic objectives. The focus of each pillar is:

Our sustainability strategy

Creating long-term value as we fulfil our purpose

Long-term sustainable business

Focus areas

- Policyholder security and service
- Robust governance process
- Detailed and transparent reporting
- A culture that is inclusive
- Long-term alignment of stakeholders

Being a responsible investor

Focus areas

- ESG integration
- Stewardship and engagement
- Active participation in ESG industry initiatives
- Sharing knowledge through insightful publications
- Investing in sustainable assets and mapping the impact created

Protecting the environment

Focus areas

- Supporting the economy-wide transition to Net Zero
- Meeting our carbon commitments
- Biodiversity impact of our real assets

Making communities sustainable, safe and inclusive

Focus areas

- Investing across the UK in assets to provide essential services
- Helping to turn brownfield assets into greener alternatives
- Providing local employment and skill development opportunities
- Financial and non-financial charity support

Sustainability is at the heart of PIC's strategic objectives and fundamental to our purpose

Our strategic objectives

- To continue building a secure and sustainable business
- To carry on leading as a responsible corporate citizen
- To keep on driving long-term value growth

Fulfilling our purpose in a responsible manner

Responsible Corporate

- Strong balance sheet and good governance practices
- Create long term social value through our business activity
- Embed Sustainability as part of BAU in all business processes
- Strong policyholder care and service
- Promote a diverse and inclusive workforce
- Charitable endeavours
- Reduce environmental impact of our operations

Responsible Investor

- ESG integration to mitigate risks
- Explore ESG opportunities
- Decarbonising our portfolio and protecting the environment
- Making communities sustainable, safe and inclusive
- Social and economic value creation through our sustainable assets
- Be good stewards of the capital we invest through engagement
- Using our influence to drive for better ESG performance in our investee companies

Our purpose

To pay the pensions of our current and future policyholders

Sustainability (continued)
Sustainability strategy (continued)

Case study: **Our new office at 22 Ropemaker Street, EC2**

For sustainable spaces.

We expect our office relocation to 22 Ropemaker Street at the end of 2024 to deliver benefits for our employees – and the environment, well into the future.

When we secured the lease of the top six floors of the newly constructed building, we worked with the landlord, developer and our consultants to ensure sustainability was embedded into the design and fit-out of our office space.

Our sustainability advisers, Buro Happold, assessed our fit-out of Ropemaker against our own proprietary sustainability scoring system, and rated the project as 'A'. We are targeting a certification of BREEAM Outstanding for the fit-out.

BREEAM supports solutions to reduce carbon emissions to Net Zero, improves whole-life performance and manages health and social impacts, along with other high sustainability criteria. We also applied the NABERS rating system, which helped to optimise operational energy performance. This ensured the correct design, construction and procurement of materials to achieve the predicted energy performance.

Our building is now targeting a Platinum score for WELL Certification, which assesses how the design supports health and wellbeing for our employees.

Please see page 11 of our **Sustainability Report** for more details on our carbon removal activity.

The Ropemaker development includes numerous beneficial features:

- Recovery of the building's waste heat
- Air quality monitoring and management as well as air quality data visible to occupants
- Enhanced metering to reduce energy in use
- LED lighting, daylight and presence detection
- Panoramic windows and accessible roof terraces
- Low-use water fittings and grey water collection with an aim to use 55% less water than baseline building
- Excellent cycle facilities, showers and lockers all to WELL standards
- Thermal modelling to ensure appropriate and efficient thermal comfort levels will be maintained.

Targeting certifications of:

BREEAM
CODE FOR A SUSTAINABLE BUILT ENVIRONMENT

NABERS

Sustainability (continued)
Sustainability strategy (continued)

Working with our charity partners.

Our commitment to charitable causes is demonstrated by the activities of PIC's Charity Committee, which is made up of keen volunteers from across the business, including our CFO and General Counsel as Board and ExCo-level sponsors.

PIC is proud of our continued partnership with Independent Age, a charity offering support to the elderly. We are also delighted to announce a new partner charity: Beyond, a youth mental health charity.

In addition, PIC supports employee led initiatives through offering matched funding and facilitating access to Charity Aid Foundation ("CAF") accounts and facilitating Give As You Earn ("GAYE").

PIC's Charity Committee organises a series of fundraising activities that take place throughout the year, including the PIC Treasure Hunt, an employee and third-party event that attracted over 500 participants on a fancy dress treasure hunt around the City of London. The 2024 event raised a total of £31,790, with this amount matched by PIC, meaning a total of £63,580 was donated to our charity partners.

In addition, our employees participate and organise numerous other charitable initiatives throughout the year.

PIC continued its third year of partnership with RedSTART Educate, a financial education charity that delivers continuous educational, interactive and fun workshops to primary school children from Reception to Year 6. Their workshops and school-based activities are complemented by an app which rewards students for completing mental maths challenges, allowing them to accrue interest on their rewards and spend the tokens earned in a real-world environment.

Beyond

During 2024 we are delighted to have welcomed Beyond as our new charity partner.

Beyond is a youth mental health charity tackling the growing mental health crisis affecting young people in the UK. They seek to address the lack of access to support and create opportunities for early and personalised interventions.

The charity is guided by a volunteer youth board who use their own experiences to inform everything that the charity does and ensures focus is kept on young people and their evolving needs.

Dom Veney, Chief Financial Officer and ExCo sponsor of PIC's charity committee, said: "We are very pleased to partner with Beyond, a remarkable charity dedicated to supporting youth mental health. Our colleagues are looking forward to working with Beyond, via fundraising and volunteering, to help support and enhance the wellbeing of young people."

Louisa Rose, Chief Executive of Beyond, said: "On behalf of Beyond we cannot thank Pension Insurance Corporation enough for selecting us as one of your charity partners. To receive such generosity from companies like yours is essential to the success of our mission, so we are deeply grateful for PIC's support. We look forward to being on this journey with you and believe that, together, we can create lasting change. Thank you for believing in us and helping to make a difference to the lives of young people in the UK."

+ Read more at **www.wearebeyond.org.uk**

Independent Age

Independent Age UK is a charity founded over 150 years ago offering advice and support for people in old age. It operates throughout the UK and provides advice and support across a range of areas including money, housing, health, personal life, support and care, and future planning. Its guides and factsheets are downloadable for free via the link below.

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

Sustainability (continued)
Environment

Only by assessing and addressing climate-related risks and opportunities are we able to secure long-term cash flows to 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.

PIC's Decarbonisation Journey

In early 2024, we published our first Climate Transition Plan, detailing how we intend to meet our decarbonisation targets. In 2024, the WACI of our portfolio reduced by 8% to 155 tCO_2e / $m at YE24, and we remain ahead of our 2025 target on the public corporate credit portfolio.

We are pleased to have achieved a 46% reduction in our total portfolio WACI from our 2019 baseline levels and remain on track to meet our 2030 target of 50% reduction in our portfolio WACI from our 2019 baseline.

Two key pillars of our transition plan were:

1. Engagement with our existing borrowers to encourage those borrowers to reduce their carbon intensity
2. Our forward-looking investment strategy, ensuring that our new investments are less carbon intensive than our existing portfolio.

Summary of TCFD disclosures

TCFD disclosures

We confirm that our TCFD disclosures are compliant with the requirements under Chapter 2 of the FCA ESG Handbook. We have made our detailed disclosures in our separate Climate Report (TCFD) due to the granular nature of the metrics disclosed.

Selected TCFD metrics can be found here.

PIC's climate achievements

Reduced Scope 1 and 2 emissions intensity by

16%

During 2024 PIC reduced its Scope 1 and 2 carbon emissions per Full-Time Employee ("FTE") by 16%

Weighted Average Carbon Intensity ("WACI")

155 **Tons CO_2e/ $m revenue[1]**

WACI of investment portfolio

The WACI of PIC's portfolio has reduced by 8% in 2024, based on portfolio data coverage of 77% (FY23: 75%)

Weighted Average Carbon Intensity ("WACI")

185 **Tons CO_2e/ $m revenue**

WACI of public corporate credit portfolio

The WACI of PIC's public corporate credit portfolio remains well below the 2025 target of 216 tCO_2e/$ revenue

PIC's climate targets

Carbon neutral as a business by

2025

We have committed to being operationally carbon neutral (Scope 1 and 2) as a business by year-end 2025

Net Zero across all emissions by

2050

We have committed to being Net Zero across all emissions (Scope 1, 2 and 3) by 2050

Portfolio emissions target

50%

decrease by 2030 from 2019 levels

PIC is committed to decreasing the investment portfolio's average carbon intensity (tons CO_2/$m revenue) by 50% by 2030 from 2019 levels

Portfolio emissions target

25%

decrease by 2025 from 2019 levels

PIC set an interim target of decreasing the average carbon intensity of investments in publicly listed corporate credit by 25% from 2019 levels by year-end 2025

+ For more information see our **Climate Report (TCFD) 2024** for more detail on our approach to climate change

1. This metric has been 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 of our Climate Report (TCFD).

Sustainability (continued)
Sustainable Assets

This year we received Board approval on our new Sustainable Assets Framework, which we launched with the aim of better managing long-term risk for assets which we define as sustainable.

PIC defines a sustainable asset as one whose business model meaningfully relates to solving one or more of the United Nations Sustainable Development Goals ("UN SDG"), benefiting people and the environment. The word 'sustainable' is chosen as it highlights the natural positive social and /or environmental outcomes that arise from a company's core business activity, rather than, for example its charity work.

Our £12.7 billion of investments in sustainable assets underpins our belief that responsible investing not only helps us achieve our purpose of paying pensions, but is a strategic opportunity to create positive change. From affordable homes to clean transport and social infrastructure, our portfolio is testament to the ways in which we are helping alleviate pressing societal and environmental challenges.

A recent change to our classification of regulated gas utilities has decreased the amount shown as invested in sustainable assets, with prior year comparatives also restated to reflect this change. As we progress towards a low-carbon world, and evidence of action towards climate commitments are needed, we felt that it was no longer appropriate to consider gas utilities as sustainable. We fully appreciate that gas is needed as we transition towards Net Zero, and we are happy to consider such assets as transition assets, however our view of a low-carbon world sees us minimally relying on such an energy source.

In 2024 we also refined our general portfolio sector categorisation and now differentiate between regulated and unregulated integrated utilities. As such, we are now able to include regulated integrated utilities into our sustainable assets, which in previous years wasn't possible. This addition is the main driver for the increase in our sustainable assets as a proportion of the total portfolio when compared to 2023.

Investments in sustainable assets

Housing Associations/Social Housing	20%
Renewable Energy	8%
Education	13%
Not for profit	4%
Healthcare	8%
Municipals	9%
Sustainable Transport (Rail)	3%
Project Finance (funding sustainable initiatives)	0%
Green or Sustainable buildings including Build-To-Rent	5%
Regulated Utilities (Water, Electric and Gas)	29%
Industrial (Circular Economy)	1%

Stripping out the regulated gas utility sector from previous years, our sustainable asset count over the years is:

2023
23.3%
£10.9bn
of £46.8bn total portfolio

2022
24.8%
£10.2bn
of £41.2bn total portfolio

2021
26.6%
£13.7bn
of £51.4bn total portfolio

2020
24.8%
£12.4bn
of £49.9bn total portfolio

+ For more information see **Sustainability Report 2024 – Appendix 1** for our Sustainable Assets Framework used to categorise our sustainable asset count

Sustainability (continued)
Sustainable Assets (continued)

Our strategic objectives

- To continue building a secure and sustainable business
- To carry on leading as a responsible corporate citizen
- To keep on driving long-term value growth

Responsible investing: 2024 strategic initiatives

Initiative	Link to Strategic objectives
Climate scenario analysis Performed more meaningful scenario analysis on a sector-by-sector basis.	Secure and sustainable business; Long-term value growth
Decarbonisation Monitored and progressed portfolio decarbonisation in line with targets.	Secure and sustainable business; Responsible corporate citizen; Long-term value growth
Reporting Created a Non-Financial reporting team within Finance to centralise sustainability related reporting.	Long-term value growth
Nature risk analysis Scan of nature-related risk for our portfolio to identify most material exposures.	Responsible corporate citizen; Long-term value growth
Engagement strategy Developed a five year engagement strategy with objectives for each engagement topic.	Secure and sustainable business; Responsible corporate citizen
Sustainable Assets Established a new Sustainable Assets Framework for long-term risk management.	Secure and sustainable business; Long-term value growth
Enhanced stewardship capabilities Worked with internal teams to deliver more effective engagements.	Secure and sustainable business; Responsible corporate citizen
Counterparty risk Extended our ESG investment approach to reinsurance and derivative counterparties.	Secure and sustainable business
Active industry participant Promoted selected industry initiatives to raise industry standards.	Responsible corporate citizen; Long-term value growth

Core activities

Input into investment decisions
Integrate ESG into credit analysis and due diligence.

Input into Origination
For both existing buy-in schemes and prospective transactions.

Decarbonisation alignment
Ensure sub-investment teams are aligned on PIC's approach.

Ongoing stewardship and reporting
Pursuing quality engagement activity and reporting on it.

PIC sustainability
Embedding sustainability across our operations guided by our TOM.

Sustainability (continued)
Stewardship and engagement

In today's world, where the role of investors is increasingly scrutinised for its impact beyond financial returns, our purpose – to pay the pensions of our current and future policyholders – creates significant social value, particularly through the long-term investments we make in the UK's economy.

We are delighted to have maintained our signatory status to the UK Stewardship Code, evidencing our continued commitment to the 12 core principles of good stewardship set out by the Financial Reporting Council ("FRC"). While we've made notable progress in sustainability and stewardship, we recognise there's always room for growth, and we are committed to building on our expertise in this area.

> **Stewardship isn't just about helping us fulfil our purpose – it's also about shaping a brighter, more sustainable future for generations to come.**
>
> **Rob Groves**
> Chief Investment Officer, PIC

Engagement

Engagement describes the interaction between investors and issuers. Engagements are conducted to influence or identify the need to influence corporate behaviour and enhance sustainability related disclosure.

PIC wants to ensure we (and our managers on our behalf) use our influence to help companies in which we invest improve aspects of their environmental, social and governance performance. Noting that we are debt investors, PIC actively engages with issuing companies across public and private markets on material sustainability issues.

Engagement focus breakdown

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

Engagement channels

1. **Direct by credit analysis**
2. **Via key external managers**
3. **Selected third-parties for speciality asset classes**
4. **Collaborative engagement initiatives**

Active engagement is of central importance to our business as it helps our strategic objective of driving long-term value growth. It drives our sustainability strategy to help ensure that ESG-related risks are mitigated where possible and opportunities uncovered. Engagement is done for two main reasons at PIC:

1. **Fact finding:** to understand the company, its stakeholders and performance. To inform our investment decision as part of regular due diligence. This engagement is usually centred around fact-finding through detailed and specific questioning.
2. **Purposeful dialogue:** with a specific and targeted objective to influence and achieve a change in corporate behaviour. This is a two-way dialogue meaning we do not talk at companies, we talk with them.

Our engagements encourage open and honest dialogue so that a long-term relationship can be better maintained which helps us see out our buy-and-hold investment strategy needed to pay our policyholders.

PIC's engagement strategy

During 2024, we engaged with 130 firms through our diverse engagement channels on a range of sustainability topics. Our primary focus has been meaningful dialogue with top emitters, but we've also amplified our social engagements, recognising the importance of balancing environmental and social goals as we move towards a low-carbon economy. The chart on the left displays the breakdown of our engagements by area of focus.

We are excited to have launched in January 2025 our five-year Engagement strategy which works off the foundations built through our 2023-2024 two-year engagement strategy. In our new strategy, we have expanded our coverage to include natural capital and human capital including social value creation. We have also been more prescriptive in prioritising the most materially exposed sectors within each asset class.

For more information please see our most recent **Stewardship Report**

Chief Financial Officer's review

A record year for new business, underpinned by a strong balance sheet.

In 2024, we delivered our highest ever total of new business volumes of £8.1 billion, and at the same time have strengthened our capital position and generated further value.

Our solvency ratio of 237% at 31 December 2024, represents a significant increase on 2023 (211%) and is well above our long-term average. The Board has recognised the strong financial performance of the business and has declared a final dividend of £160 million and a special dividend of £200 million, bringing the total dividend in respect of 2024 to £613 million of which £306 million were special dividends.

Our balance sheet strength continues to provide security to our current and future policyholders, and positions us well to take advantage of the market opportunity as significant volumes of pension schemes are expected to come to market in 2025 and beyond.

Strong financial performance and well positioned for the future.

Dom Veney
Chief Financial Officer

Financial highlights	2024 £m	2023 £m
Gross premiums written[1]	**8,064**	6,949
Equity own funds (unaudited)[2]	**5,800**	5,971
Solvency ratio (unaudited)[2]	**237%**	211%
Solvency surplus (unaudited)[2]	**4,700**	4,331
IFRS Adjusted operating profit before tax[2]	**746**	893
Profit before taxation	**371**	303
IFRS Adjusted equity[2]	**6,500**	6,451
Financial investments	**50,932**	46,849

1. Comparable with the IFRS statutory new business insurance contract measure of 'Estimates of present value of cash inflows' within note 16 (c) (2023 is £12 million higher than the statutory measure, due to the inclusion of premium increments in relation to business written in previous years).
2. The Group uses a range of alternative performance measures ("APMs") to assess the financial performance and position of the Group.

The definitions of the following APMs are set out in the glossary. For the reconciliations to their closest IFRS measure, where applicable, see:

+ Equity Own Funds on **page 71**

+ IFRS Adjusted operating profit before tax on **page 66**

+ IFRS Adjusted equity on **page 65**

Chief Financial Officer's review (continued)

In 2024, we completed new business volumes of £8.1 billion across 25 transactions. The value created from new business, alongside returns from our growing in-force book and actions to optimise our asset portfolio led to an increase, before dividends paid, of £229 million in Equity Own Funds ("EOF"), one of the Group's KPIs, to £6.2 billion. After dividend payments of £400 million, EOF ended the year at £5.8 billion (2023: £6.0 billion). In the second half of the year, £5.1 billion of new business was written (H1 2024: £3.0 billion) with much of this written close to the end of the year. This contributed to a temporary reduction in EOF of c. £0.3 billion which we expect to reverse as we complete the implementation of these deals.

Our balance sheet strengthened further over 2024 with a solvency ratio of 237% at end 2024 (2023: 211%). The solvency ratio benefited from returns from our surplus assets and in-force book, management actions to optimise our in-force investment portfolio and our capital position and higher interest rates partly offset by the deployment of capital for new business.

Solvency surplus ("surplus") also benefited from the same drivers as the movement in the solvency ratio described above. At 31 December 2024, surplus was £5.1 billion before the payment of dividends, an increase of £0.8 billion from 31 December 2023. The closing surplus after dividends was £4.7 billion (2023: £4.3 billion).

IFRS Adjusted equity, a measure of overall shareholder value, remains strong at £6.5 billion at 31 December 2024 (2023: £6.5 billion). Before dividends, IFRS Adjusted equity increased by £449 million mainly due to IFRS Adjusted operating profit before tax ("AOPBT") of £746 million which benefited from higher returns from the growing in-force book. AOPBT decreased from 2023 (2023: £893 million), primarily due to prevailing market conditions in which we chose to write new business using lower capital intensive strategies which also resulted in lower margins and the temporary impact of reinsurance not completed by the year end.

The contractual service margin ("CSM") net of reinsurance and tax, increased to £2.6 billion (2023: £2.4 billion), primarily due to the new business written in the year. The CSM is a store of future profits and reflects the deferred initial profit on business that has already been written. IFRS profit before tax, which takes into account the movement in the CSM and investment related variances was £371 million (2023: £303 million).

Recognising the surplus generated in the year and the strength of the balance sheet, the Board have approved a final dividend of £160 million (2023: £147 million) and a special dividend of £200 million to be paid in May 2025. After allowing for the payment of the proposed final and special dividends, the pro forma solvency ratio at 31 December 2024 was 226%.

While always ensuring policyholder security, the Board considers the scope for dividends against the demands of supporting business growth.

In May, the balance sheet was supported by the issue of £500 million of Tier 2 subordinated notes with a coupon of 6.875% and a maturity date of 2034. We simultaneously repurchased £194 million of the 2014 and 2016 issuances taking advantage of market conditions and in July the remaining £30 million of the 2014 issue matured. The net increase of £92 million after deducting temporarily ineligible debt, as required by Solvency II, enhances our balance sheet strength further.

Our portfolio of financial investments increased to £50.9 billion at 31 December 2024 (2023: £46.8 billion) primarily driven by new business written in the year, partly offset by payments made to policyholders and rising interest rates. Given the uncertain economic and geopolitical outlook and the extremely tight credit spreads experienced in the year, our investment strategy continues to be low risk, securing our pension payments to policyholders whilst investing in a purposeful way to create long-term social value. At 31 December 2024, over 99% of the value of our debt securities are rated investment grade and we continue to manage exposure carefully.

Looking forward, the PRT market remains buoyant and we expect £50-60 billion of potential new business volumes each year for the next decade. We remain one of the few firms able to transact on the biggest deals and we continue to compete across the whole market. Our balance sheet strength enables us to weather economic uncertainty and our excellence in customer service, our focus on social value creation and our track record of delivery all give us a competitive advantage.

Chief Financial Officer's review (continued)

IFRS

Our full year 2024 results are presented on an IFRS 17 basis consistent with 2023.

IFRS statement of comprehensive income

Statement of comprehensive income – summarised	2024 £m	2023 £m
Insurance service result	**193**	202
Net financial result	**499**	365
Other operating expenses	**(197)**	(173)
Other finance costs	**(124)**	(91)
Profit before taxation	**371**	303
Tax charge	**(87)**	(64)
Profit after taxation	**284**	239

Please refer to page 66 for the additional reconciliation between AOPBT and IFRS profit before tax.

Insurance service result

The insurance service result consists of the net revenue and expenses earned from insurance and reinsurance contracts. It is comprised of the release of the CSM based on coverage provided in the period, the release of the risk adjustment ("RA") for expired non-financial risk, as well as any variances between actual and expected claims and insurance related expenses, alongside any losses and associated reversals on onerous contracts.

The insurance service result for the year was £193 million (2023: £202 million). The small decrease from 2023 was primarily due to not entering into reinsurance at the time of writing some new business contracts during the year. The benefit of the reinsurance was subsequently deferred to the CSM and will be released to profit over the life of the contract.

Net financial result

The net financial result includes the net investment return from financial investments as well as finance income and expense from the Group's insurance and reinsurance contracts. Finance income and expense on insurance contracts is generated by movements in their carrying value due to the time value of money and changes in financial risk assumptions from economic factors such as changes in interest rates, inflation and credit spreads.

The net financial result for the year was £499 million (2023: £365 million). The increase from 2023 primarily reflects the higher return on surplus assets due to larger opening balances, alongside favourable financial assumption changes.

Other operating expenses

Other operating expenses consist of project and shareholder costs, plus new business, maintenance and investment costs that are not directly attributable to selling and servicing insurance contracts.

Other operating expenses for 2024 were £197 million (2023: £173 million). The increase is primarily due to growth in the business and includes project spend of £86 million (2023: £76 million) which has increased since prior year reflecting a higher spend on business-wide initiatives to support the business going forwards.

Other finance costs

Other finance costs represent the interest payable on borrowings, interest on tax payable and lease finance costs. In May 2024, PIC issued a £500 million debt instrument taking advantage of market conditions. This, alongside the debt raised in November 2023, led to an increase in finance costs to £124 million (2023: £91 million). In July 2024, the outstanding 2014 debt issue matured, leaving six (2023: six) subordinated debt securities issued by PIC, the Group's regulated insurance company, at 31 December 2024.

The Restricted Tier 1 ("RT1") debt issued in July 2019 has been accounted for as equity under IFRS and as such interest on these notes is not included in finance costs and is instead recognised in the statement of changes in equity when paid.

IFRS statement of financial position

Statement of financial position - summarised	2024 £m	2023 £m
Financial investments	**50,932**	46,849
Derivative and other financial assets	**28,869**	27,977
Reinsurance contract assets	**2,036**	2,321
Insurance contract liabilities – BEL	**(38,897)**	(36,008)
Insurance contract liabilities – RA	**(1,249)**	(1,228)
Insurance contract liabilities – CSM	**(4,157)**	(3,970)
Derivative and other financial liabilities	**(32,762)**	(30,830)
Borrowings	**(2,062)**	(1,789)
Other net assets	**1,602**	1,146
Total equity	**4,312**	4,468
CSM net of reinsurance and tax	**2,632**	2,427
Exclude RT1 debt	**(444)**	(444)
IFRS Adjusted equity	**6,500**	6,451

Chief Financial Officer's review (continued)

Financial investments

At 31 December 2024, the Group had total financial investments of £50.9 billion (2023: £46.8 billion). The increase was primarily due to £8.1 billion of new business written, partly offset by payments made to our policyholders and the impact of rising interest rates. Our investment strategy is to select assets that generate cash flows to match our future claims payments in both timing and amount. Therefore, the value of our assets and liabilities move broadly in tandem as factors such as interest and inflation rates change.

The credit quality of our investment portfolio is actively managed and remains strong, with over 99% of the value of our debt securities rated investment grade at 31 December 2024 (2023: 99%). Our cautious, sustainable investment strategy and our management of key risks, prioritises long-term stability to protect the pensions of our policyholders in the future. In the year, the Group did not experience any defaults (2023: none) and we continue to monitor our exposures carefully in the light of economic uncertainty.

Reinsurance contract assets

The decrease in reinsurance contract assets during the year is primarily driven by a reduction in the reinsurance best estimate liabilities ("BEL") and RA due to an increase in risk-free rates. At 31 December 2024, 82% (2023: 85%) of the Group's gross longevity related reserves had been reinsured. The decrease from 2023 reflects the timing of reinsurance on new business written close to the year end. This is expected to reverse when we implement the reinsurance arrangements on this business. The Group has 14 (2023: 14) reinsurance counterparties, all of which have a credit rating of A- or above.

Insurance contract liabilities

Insurance contract liabilities comprise three components. Our BEL reflects the present value of best estimate cash flows to fulfil our insurance contracts; the CSM represents the deferred new business profit that we expect to earn from providing insurance services; and the RA is the compensation that the Group requires for taking on non-financial risk which is released to profit aver time as the risks expire.

Total insurance contract liabilities have increased by £3.1 billion in the year, primarily due to the impact of new business written, partly offset by the release of cash flows and higher interest rates.

Derivative and other financial assets and liabilities

The Group uses derivatives to hedge certain market risks associated with both new and existing business. Derivative assets and liabilities have both increased in the year due to new business written and market movements. Derivative exposures are collateralised which mitigates against the risk of a derivative counterparty default.

Total equity

Total equity increased by £244 million before payment of dividends. At 31 December 2024, after dividends of £400 million, closing equity was £4.3 billion compared to 31 December 2023 (£4.5 billion). Adding back the CSM (net of reinsurance and tax) and excluding RT1 debt, IFRS Adjusted equity was £6.5 billion (2023: £6.5 billion).

IFRS Adjusted operating profit before tax

In addition to the statutory results presentation outlined above, the Group also chooses to analyse its IFRS results using an alternative performance measure ("APM"), AOPBT.

The Group considers this APM to be an important metric for stakeholders as it reflects the Group's operating activities that are core to our business alongside certain management choices and decisions around those activities. This includes the writing and management of pension insurance contracts and the management of risk through reinsurance. The operating performance of the Group includes the full value generated from writing new business prior to the new business deferral and subsequent in-force release of profit via the CSM, and excludes investment related variances.

AOPBT for the year decreased to £746 million (2023: £893 million), largely resulting from a lower contribution from new business written in the year and not yet reinsuring some new business written late in 2024. Given the prevailing market conditions, we chose to write new business using lower capital intensive strategies which also resulted in lower margins.

More detail on the main components of AOPBT and the reconciliation to profit before tax are set out below:

IFRS Adjusted operating profit before tax	**2024 £m**	2023 £m
Expected return from operations	**574**	495
New business and reinsurance profit	**313**	444
Underlying profit	**887**	939
Changes in valuation assumptions	**230**	194
Experience and other variances	**(107)**	(18)
Finance costs	**(156)**	(124)
Project and other costs	**(108)**	(98)
IFRS Adjusted operating profit before tax	**746**	893
Movement in CSM	**(274)**	(585)
Investment related variances	**(134)**	(38)
Add back: RT1 coupon (treated as a dividend for statutory purposes)	**33**	33
Profit before tax	**371**	303

Chief Financial Officer's review (continued)

Expected return from operations

Expected return from operations reflects the long-term expected returns arising from the management of the Group's assets and liabilities. It is based on opening economic assumptions applied to the opening assets and liabilities.

The economic assumptions used are dependent on the nature of the underlying assets and whether the assets are held to back policyholder liabilities or are shareholder assets.

1. The investment return assumption on assets held to back policyholder liabilities is calculated with reference to the one-year swap rate, to align with the unwind of the valuation discount rate for liabilities, plus a spread reflecting the nature of the assets backing the liabilities. These assets are ring-fenced and held to match payments to policyholders.
2. The investment return assumption for shareholder assets is calculated with reference to the ten-year swap rate plus a spread relating to the underlying assets held. The inclusion of the spread reflects management's long-term expectations of asset returns in excess of the long-term risk-free rate and reflects the nature of the assets held. These assets supplement the ring-fenced funds backing policyholder liabilities where required. Investment returns on these assets support distributions to debt holders and equity holders.

The opening rates used for the disclosed reporting periods are set out in the table below:

	2024	2023
One-year swap	**4.7%**	4.5%
Ten-year swap	**3.3%**	3.7%

The expected spread on fixed interest and index-linked securities held to back policyholder liabilities is set with reference to the average opening yields for the actual opening assets held less an adjustment for credit risk (assessed on a best estimate basis). Expected return also includes the expected run-off of the RA.

The impact on expected return of changes to shareholder assets or the investment portfolio backing liabilities in respect of new business or new reinsurance, capital raises or distributions in the year, and assumption changes, is calculated at the point of transaction.

Any differences between the actual return in the year and the long-term expected return are presented in investment variances outside of AOPBT, but are included in profit before tax.

Expected returns of £574 million were above the prior year (2023: £495 million), primarily due to an increase in opening surplus assets.

New business and reinsurance profit

New business and reinsurance profit represents the impact on profit of writing new pension risk transfer contracts and the impact of entering into new reinsurance contracts on the in-force book. The profit is calculated using the economics at the initial recognition date, the locked-in liquidity premium, expected reinsurance, pricing demographic and maintenance expense assumptions, the target asset portfolio mix assumptions and the actual acquisition expenses incurred.

New business and reinsurance profit was lower at £313 million (2023: £444 million) due to the impact of tight credit spreads on transaction pricing in 2024 on the £8.1 billion of new business premiums written (2023: £6.9 billion). Given the market dynamics in 2024, we chose to write new business using lower capital intensive strategies which also resulted in lower new business margins.

Changes in valuation assumptions

We set assumptions in respect of the in-force liabilities and new business acquired during the year using our best estimate and applying an adjustment for non-financial risk. Under IFRS, the impact of changes to non-financial assumptions is added to the CSM and spread over the future expected duration of the contracts. We show AOPBT before this deferral. Management regularly review these assumptions to ensure that they reflect the characteristics of our book and wider market practice.

As part of this review in 2024, we updated several assumptions resulting in a benefit to AOPBT of £230 million (2023: £194 million). This included an update to our credit default rates to reflect the latest data from Moody's, an update to our investment management fee assumptions following the in-sourcing of some previously externally managed assets and an update to several other assumptions to take account of recent experience.

In 2023, the benefit to AOPBT of £194 million related to changes in demographics, longevity, expenses and inflation modelling.

Experience and other variances

Experience and other variances include the variance between the actual non-economic assumptions used in determining IFRS liabilities and the assumptions on a pricing basis which are used in the new business line.

Experience and other variances gave rise to a loss of £107 million in 2024 (2023: loss of £18 million). In 2024, the loss primarily related to the timing impact of not yet implementing reinsurance arrangements on some new business written late in the year. This will reverse when the arrangements are implemented.

Finance costs

Finance costs reported as part of AOPBT reflect interest costs on both the RT1 and Tier 2 debt, interest on tax payable and lease finance costs. The increase in finance costs in 2024 primarily reflects the additional Tier 2 debt raised in the second half of 2023 and first half of 2024.

Chief Financial Officer's review (continued)

Project and other costs

Project and other costs for the year were £108 million (2023: £98 million). Project spend of £86 million (2023: £76 million) reflects costs associated with business-wide initiatives.

Movement in CSM

The movement in CSM comprises the deferral of new business and new reinsurance profits on contracts written in the year and interest accretion on the opening CSM, alongside the impact of changes in future cash flows from non-financial assumptions and non-financial experience variances, partly offset by the amortisation of CSM in respect of in-force business.

During the year, the total increase in CSM was £274 million, (2023: £585 million). The decrease compared to 2023 is primarily due to the lower new business and new reinsurance profits reflecting prevailing market conditions. Other movements were lower primarily due to a smaller deferral of favourable assumption changes.

The following table reconciles the movement in CSM on the IFRS balance sheet.

Movement in CSM (net of reinsurance)	2024 £m	2023 £m
CSM balance at 1 January	**3,236**	2,651
New business CSM recognised	**250**	337
Interest accretion on CSM	**111**	92
Amortisation of CSM	**(202)**	(181)
Other movements	**115**	337
Movement in CSM	**274**	585
CSM balance at 31 December	**3,510**	3,236

Investment related variances

AOPBT is based on the expected investment returns on opening surplus assets and the expected release of discount rate margins. Variances between actual and expected investment return, differences in asset and liability values due to economic movements compared to those at the start of the year, and the impact of changes in credit ratings are disclosed outside of AOPBT.

We carefully manage our risk to market factors and enter into derivative hedging contracts to manage these exposures in accordance with our risk appetite.

Our hedging strategy is primarily designed to actively manage risk over the long-term in the solvency balance sheet, and there exists a mismatch between this hedging strategy and the IFRS balance sheet. This mismatch, and the resulting volatility, is included within the investment related variances line.

Investment related variances resulted in a loss of £134 million in the year (2023: loss of £38 million), largely driven by the increase in interest rates partly offset by management actions to optimise our in-force asset portfolio generating a profit of £129 million.

Capital and solvency

PIC, the regulated subsidiary of the Group, is required to comply with the Solvency II regulatory framework. Solvency II requires firms to follow either a prescribed approach to calculating required regulatory capital (the standard formula approach), or to apply to the PRA to use an "Internal Model" developed by the Company but subject to comprehensive review and approval by the regulator. PIC has PRA approval to apply an Internal Model, which is a better reflection of the risk profile of the Company's business than the standard formula approach. The Company has complied with the Solvency II Capital Requirements as set out in the relevant PRA rules throughout the year (see Note 23 of the financial statements).

The results below are reported at the consolidated Group level.

Solvency ratio

At 31 December 2024, the solvency ratio increased to 237% (31 December 2023: 211%), with eligible surplus funds of £4.7 billion (31 December 2023: £4.3 billion) in excess of the SCR. The increase in the year was primarily due to the expected return from the in-force book, management actions to optimise our in-force asset portfolio and capital position and higher interest rates. This is partly offset by the efficient deployment of capital to write £8.1 billion of new business in the year and the payment of dividends. Own funds eligible to meet the SCR have been restricted by £184 million due to eligibility restrictions on Tier 2 debt.

PICG solvency (unaudited)	2024 £m	2023 £m
Own funds eligible to meet SCR	**8,142**	8,221
Solvency capital requirements	**(3,442)**	(3,890)
Solvency surplus	**4,700**	4,331
Solvency ratio (%)	**237%**	211%
Matching Adjustment (%)	**1.648%**	1.588%

Chief Financial Officer's review (continued)

Surplus generation

Surplus generation (unaudited)	2024 £m	2023 £m
Opening surplus	**4,331**	4,037
Expected surplus generation from in-force book	**709**	613
New business (net of reinsurance)	**(357)**	(143)
Management actions and other operating variances	**236**	170
Financing, project and other costs	**(289)**	(221)
Operating surplus generation	**299**	419
Economic and other non-operating variances	**378**	(225)
Total surplus generation	**677**	194
Increase in eligible Tier 2 debt	**92**	200
Dividend	**(400)**	(100)
Closing surplus	**4,700**	4,331

Surplus generation measures the amount of surplus solvency capital generated in the year, being the excess of eligible own funds over SCR. The key components are the expected surplus generated from business written in previous periods and management actions taken in the year, which are used to fund the capital requirement of writing new business, alongside paying coupons to our debt holders and dividends to shareholders.

Operating surplus generated in the year was £299 million. This compares to 2023 (2023: £419 million) which included a benefit from the one-off impact of changes to the risk margin (net of TMTP recalculation, £453 million).

Economic and other non-operating variances include the impacts of market movements, alongside management actions relating to the optimisation of our asset portfolio (2024: £156 million; 2023: £64 million), and variances between the actual asset mix on new business compared to that which was assumed in pricing.

Total surplus generated amounted to £677 million, a significant increase on prior year (2023: £194 million). This was primarily due to the actions described above alongside the impact of higher interest rates. The closing surplus at 31 December 2024 benefited from the impact of raising additional Tier 2 debt net of repurchases and temporarily ineligible capital. The payment of the final dividend declared for the year ended 31 December 2023 and the interim and special dividends declared at half year 2024 decreased the surplus by £400 million in 2024.

Expected surplus generated from the in-force book

Expected surplus generation comprises the:

- Expected investment return on shareholder assets (non-matching fund assets);
- Expected margins earned on the matching fund assets;
- Expected release of the in-force risk margin and SCR; and
- Amortisation of the Transitional Measure on Technical Provisions ("TMTP").

In 2024, the expected surplus generation of £709 million was higher than the prior year (2023: £613 million) primarily due to higher opening surplus assets.

New business (net of reinsurance)

New business (net of reinsurance) is the expected impact on surplus of writing new business based on pricing assumptions and target asset mix, and the impact of entering into new reinsurance contracts on the in-force book. Any differences between actual reserving assumptions and the pricing basis, including the timing of reinsurance, are reported as experience variances within Management actions and other operating variances.

New business (net of reinsurance) consumed surplus of £357 million in 2024 (2023: £143 million) which was higher than last year, reflecting higher new business volumes and the impact of asset-backed reinsurance in 2023.

Management actions and other operating variances

Management actions and other operating variances comprise actions taken by the business, assumption changes and operating variances. Operating variances represent the difference between actual non-economic experience and the assumptions in expected surplus generation, plus the difference between pricing and reserving assumptions.

Management actions and other operating variances generated a surplus of £236 million in the period (2023: £170 million). The 2024 result was largely driven by an update to the property and hedging risk SCR modules to better capture the underlying property risks and correlations between risks. The surplus in 2023 was largely due to the one-off impact of changes to the risk margin (net of TMTP recalculation) partly offset by an increase in SCR following the refinement to credit risk and hedging models.

Financing, project and other costs

Financing, project and other costs reflect the accrued interest due on the RT1 and Tier 2 debt issues, coupled with shareholder expenses and project costs. Financing costs were £159 million (2023: £123 million), whilst project and other costs of £130 million[1] increased in 2024 (2023: £98 million) reflecting a higher spend on business-wide initiatives.

1. Project costs in relation to 22 Ropemaker are accounted for differently under Solvency II and IFRS. Under Solvency II, costs are expensed in the year, whereas under IFRS, some costs are capitalised and depreciated over their useful life.

Chief Financial Officer's review (continued)

Economic and other non-operating variances

Economic and other non-operating variances include the difference between actual economic movements and the economic assumptions within expected surplus generation, alongside variances between the actual asset mix on new business compared to that which was assumed in pricing, and tax impacts.

Economic and other non-operating variances generated a surplus of £378 million in 2024 (2023: surplus consumed of £225 million). This was predominantly due to management actions to optimise the in-force book generating surplus of £156 million in 2024 (2023: £64 million), variances between actual asset mix on new business compared to that assumed in pricing, alongside surplus generated from higher interest rates. In 2023, the result was due to the impact of market movements and the tax impact of the other movements which are stated gross of tax.

Equity Own Funds

Equity own funds/Adjusted equity own funds	2024 £m	2023 £m
Own funds eligible to meet SCR	**8,142**	8,221
Add back: Ineligible capital	**184**	—
Own funds available to meet SCR	**8,326**	8,221
Deduct notional RT1 and Tier 2 debt	**(2,526)**	(2,250)
Equity own funds	**5,800**	5,971
Add risk margin ("RM") net of TMTP	**378**	310
Adjusted equity own funds	**6,178**	6,281

EOF, a KPI of the Group, is defined as Solvency II own funds available to meet the SCR less the notional value of RT1 and Tier 2 debt.

EOF increased by £229 million before the payment of the 2023 final dividend of £147 million and the 2024 interim and special dividends of £253 million. This increase was primarily due to profits emerging from the in-force book and new business, management actions to optimise the in-force asset portfolio and changes to assumptions following our review in the year. This was partly offset by the temporary reduction in EOF of c. £0.3 billion which we expect to reverse as we source assets and implement reinsurance arrangements for new business written late in 2024, the impact from higher interest rates and finance and project costs. After the payment of the dividends, EOF was £5.8 billion (2023: £6.0 billion).

Adjusted equity own funds ("AEOF") removes the impact of the risk margin and TMTP from EOF. At 31 December 2024, AEOF, before the payment of dividends, increased to £6.6 billion in line with the movement in EOF. The closing AEOF of £6.2 billion at 31 December 2024, compares to £6.3 billion at 31 December 2023.

The value of the risk margin net of TMTP increased to £378 million at 31 December 2024 (2023: £310 million) reflecting the impact of temporarily unreinsured new business at the year end, partly offset by the impact of higher interest rates.

Key solvency sensitivities

The key sensitivities to which the Group's regulatory solvency balance sheet are exposed, and their impact on the reported Solvency ratio, are shown below.

The sensitivities have been calculated using own funds available to meet the SCR, to better reflect the long-term impact.

PICG solvency ratio sensitivities (unaudited)	2024	2023
As reported	**237%**	211%
100 bps increase in interest rates[1]	**20%**	15%
100 bps reduction in interest rates[1]	**(23%)**	(18%)
100 bps increase in credit spreads[1]	**12%**	16%
100 bps reduction in credit spreads[1]	**(14%)**	(12%)
10% increase in house price index	**—%**	—%
10% reduction in house price index	**—%**	—%
20% credit downgrade[2]	**(5%)**	(10%)
5% reduction in base mortality[3]	**(3%)**	(2%)

Notes
1. For the interest rate and credit spread sensitivities, the current strong solvency position increases the impact of the sensitivity in ratio terms. The impact of the notional recalculation of the TMTP contributed to the asymmetry of the sensitivities in 2023.
2. Shows an immediate full letter downgrade on 20% of all assets where the capital treatment depends on a credit rating. Downgraded assets are assumed to be immediately traded back to the original credit rating, so the impact is primarily a reduction in own funds from the loss of value on downgrade. The impact of the sensitivity depends on the market levels of spreads at the balance sheet date; the difference between spreads by letter has narrowed over the year, reducing the sensitivity.
3. Equivalent to a 0.4 year increase in life expectancy from 22.6 years to 23.0 years for a typical male aged 65.

Dividend

In recognition of the continued financial and strategic strength of the business, the Board has approved a final dividend of £160 million (12.0 pence per share) as part of the annual dividend cycle and a special dividend of £200 million (15.0 pence per share). This equates to a total dividend of £613 million in respect of 2024 of which £306 million were special dividends. The dividend is recognised when approved under Solvency II and when paid under IFRS.

The impact on our results will be a decrease to IFRS equity and Solvency II own funds of £360 million and to the solvency ratio of 11%. Our solvency ratio continues to be significantly ahead of our long-term range post the payment of these dividends and continues to provide security to our present and future policyholders.

The Group's dividend policy is to retain sufficient capital to invest in future growth opportunities of the UK pension risk transfer market, whilst paying regular dividends to shareholders, based on the current and future projected capital position of the business. The implications for solvency, leverage and liquidity are all considered when considering the appropriateness of dividend payments.

Chief Financial Officer's review (continued)

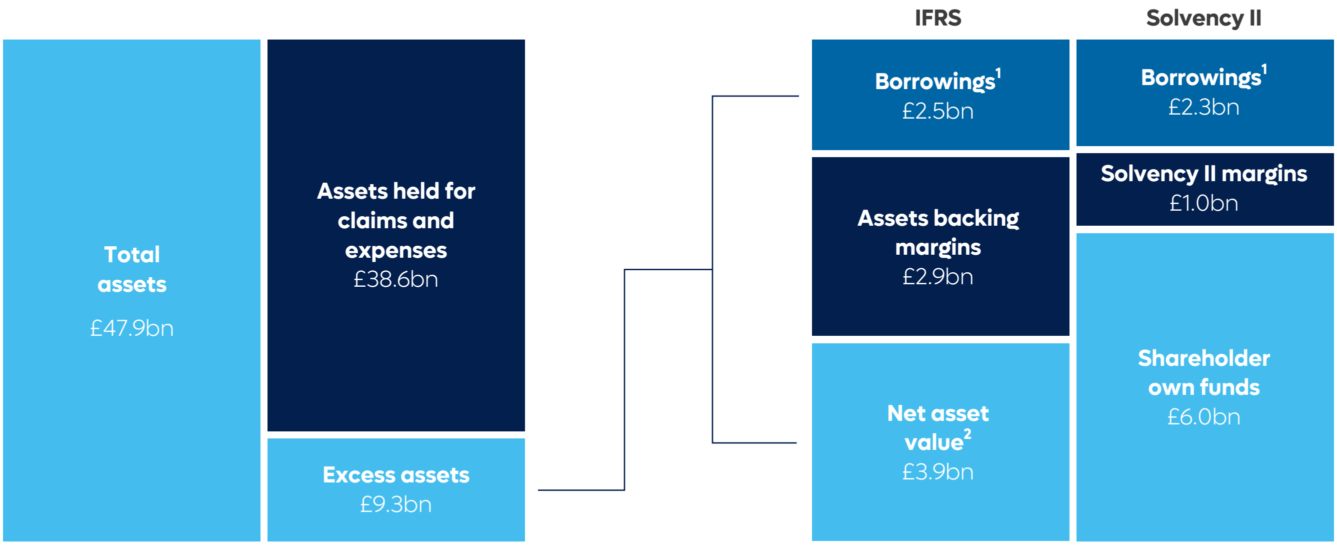
IFRS reconciliation to Solvency II – PICG

IFRS Reconciliation to Solvency II	2024 £m	2023 £m
IFRS net assets	**4,312**	4,468
Add amortised cost value of Tier 2 subordinated debt and related accrued interest	**2,091**	1,820
Differences in accrued interest on RT1 notes	**(15)**	(16)
Add back CSM (net of reinsurance)	**3,510**	3,236
Difference in BEL (net of reinsurance)	**(745)**	(494)
Removal of RA	**271**	213
Add risk margin net of TMTP	**(378)**	(310)
Differences in deferred tax	**(703)**	(694)
Differences in other asset values	**(17)**	(2)
Solvency II Own Funds - Available	**8,326**	8,221
Ineligible capital	**(184)**	—
Solvency II Own Funds - Eligible	**8,142**	8,221

Solvency II Own Funds - Available reconciliation to Equity Own Funds	2024 £m	2023 £m
Solvency II Own Funds - Available	**8,326**	8,221
Deduct notional RT1 and Tier 2 debt	**(2,526)**	(2,250)
Equity own funds	**5,800**	5,971

PICG Solvency II (unaudited) and IFRS excess assets

The following table shows the excess assets held to meet solvency and risk margins.



1. Under IFRS, borrowings are valued at amortised cost. Under Solvency II, borrowings are valued at fair value, excluding any post issuance changes in own credit standing.
2. RT1 debt is excluded from the net asset value and is included in the borrowings number.

Risk management

Our approach to risk management.

Giles Fairhead
Chief Risk Officer

2024 saw significant political and regulatory change, with a new UK government installed and the finalisation of Solvency II policy. Artificial Intelligence continued to evolve rapidly, and heightened geopolitical risk meant that the threat of cyber attacks was elevated. Throughout this, the pension risk transfer ("PRT") market remained vibrant, with increased competition and strong demand amid the rising funding levels of defined benefit ("DB") pension schemes.

During 2024, PIC's risk management approach continued to be central to our resilience. We maintained a cautious approach to credit risk, and our hedging strategy, implemented in line with our Risk Appetite Framework protected our balance sheet from financial market fluctuations. We also continued to reinsure the vast majority of longevity risk. Our solvency and liquidity remained comfortably above the Board's risk appetite levels, providing a buffer against potential financial shocks.

The Risk function supported the rest of the business by providing risk assessments for key projects and new business ventures in 2024, including the launch of 'Mosaic', a streamlined service for small pension schemes looking to complete a buyout. We continued to assist the Board in understanding the risks on new business transactions, for example by providing risk opinions. Decisions across the business have been informed by market and operational stress tests to ensure that we continue to be resilient.

Shielding the business in dynamic and uncertain times.

In 2024, we continued to develop the Risk Appetite Framework to proactively manage the risks arising from new trends in the PRT market, for example relating to the use of funded reinsurance. We continued to enhance our stress and scenario testing ("SST") capability, which allowed us to carry out more SST and use the outputs more extensively in our decision making.

Areas of operational focus included our key end-to-end processes (including reviewing associated risks and third parties), enhancing our oversight and governance of our critical suppliers and leading a deep-dive into Artificial Intelligence ("AI") which examined the risks and opportunities associated with the development of AI systems at PIC.

We have continued to assist the rest of the business in identifying and assessing emerging risks, including policy changes stemming from the UK general election and US presidential election.

As we look ahead to 2025, we are prepared for another busy year. Geopolitical risks look set to remain heightened, bringing continued uncertainty and an elevated chance of market volatility as well as unexpected operational events such as cyber attacks and disruption to supply chains. At the same time, we anticipate a strong new business pipeline.

Our Risk Management Framework and approach will continue to protect the business so that it grows safely in dynamic and uncertain times.

Giles Fairhead
Chief Risk Officer

Risk management (continued)

PIC's three key pillars

PIC prioritises its risks by continuously reviewing the materiality of their potential impact. The risks are aligned to three key pillars:

Sufficient Financial Resources

Effective and Resilient Operations

Meeting External Expectations

Please also see Managing our key risks section on **page 75**

How we manage risk

Risk management is integrated into the business via the Enterprise Risk Management ("ERM") Framework and is used to inform a range of business decisions. The ERM Framework consists of the:

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

The Risk Governance Framework

Our three lines of defence model is shown below. We use this model in everything we do, from taking on new business to process reviews.

Broader risk governance

Our risk governance forms part of the broader governance framework for managing the business.

The PIC Board has ultimate responsibility for PIC's risk management approach, and its ERM Framework. The Board delegates a number of these responsibilities to the Board Risk Committee ("BRC") as a focused point of risk management decision making, supported by the Chief Risk Officer ("CRO").

Further to this, the Management Risk Committee and Models and Assumptions Committee assist the CRO in the:

- effective implementation and operation of the ERM Framework and risk appetite;
- ensuring that material risks facing the Company are identified, assessed, mitigated, monitored and remain within appetite;
- providing insight and review to the Executive Committee and the Board and its Committees in relation to the risks facing the Company.

Board and Board Committees

Management Committees

First-line business units are responsible for managing risk in their day-to-day activities.

Advisory and oversight activities

Second-line Risk and Compliance are responsible for the following areas of activity:

Operational: owning, maintaining and developing the Risk Management Framework.

Advisory: facilitating the embedding and implementation of the Risk Management Framework.

Oversight: providing independent oversight and challenge to the first-line in carrying out risk management.

Independent assurance over first- and second-line activities

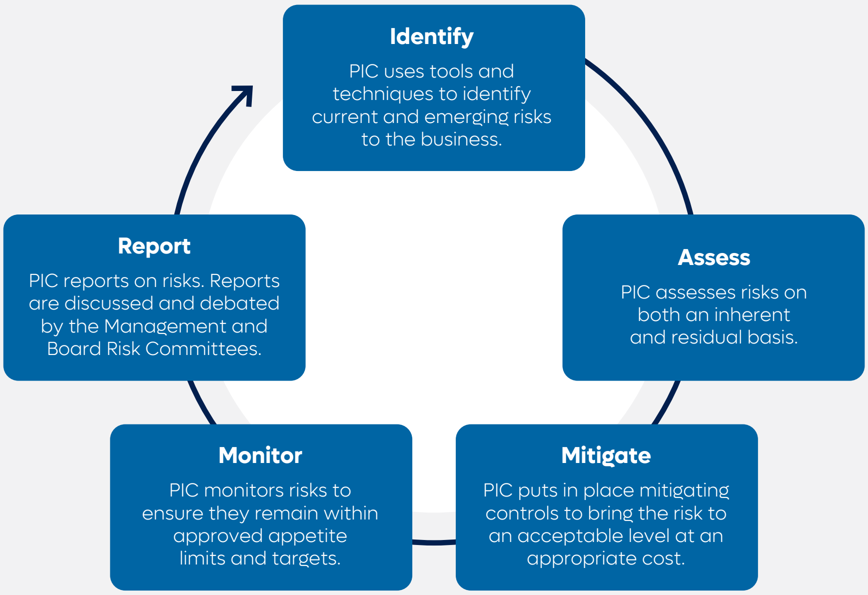
The purpose of the **third-line** (Internal Audit) is to provide independent and objective assurance to the PIC Board of Directors.

Risk management (continued)

Risk Management Processes

Risk management processes and tools are used to identify, assess, mitigate, monitor and report risks throughout PIC as shown below.

We use this for all risk types, e.g. financial, operational, new or existing risks.



Risk Appetite Framework

PIC's Risk Appetite Framework articulates the Board's appetite for taking the different types of risks which PIC may be exposed to in pursuit of its strategic objectives.

Risk preferences are set for each risk as those PIC actively seeks, accepts, limits or wants to minimise.

We actively **seek** risks that:

- are aligned with our business strategy and with stakeholder expectations;
- we believe are adequately rewarded; and
- are within the capabilities and capacity of our people, processes and technology to manage.

We **accept** and take measured amounts of risks that:

- are an acceptable consequence of pursuing our business strategy; and
- are within the capabilities and capacity of PIC's people, processes and technology to manage.

We seek to **limit** risks that:

- are accepted part of pursuing the business strategy but which PIC should only accept in limited circumstances;
- are within the capabilities and capacity of its people, processes and technology to manage; however,
- PIC seeks to limit through a number of mechanisms (i.e. maximum amounts of exposure or only acceptable in certain circumstances).

We **minimise** risks which:

- are not aligned with our business strategy or to stakeholder expectations; or
- are beyond the capabilities and capacity of PIC people, processes and technology to manage.

The preference assigned to each of our key risks is included in the tables on the following pages.

To monitor the position against the risk appetite, metrics are set to help guard against PIC exceeding the level of risk the business is willing to take on. The risk appetite metrics are monitored by the business, and performance against the metrics is reported to the Board Risk Committee and Board.

Consistent with other years, PIC reviewed its risk appetite statements and metrics in 2024, adding new metrics where appropriate. This resulted in improved coverage of quantifiable measures of risk, such as those related to project risk management, Company culture and new business.

Risk management (continued)

Managing our key risks

The key risks to the business, and its strategy for managing those risks, are set out below (to page 79). More details are also included in Note 18 to the financial statements.

Key

Increased | Decreased | Stable

To continue building a secure and sustainable business | To carry on leading as a responsible corporate citizen | To keep on driving long-term value growth

Key risk	Change in year	Outlook	How we are managing this
Sufficient Financial Resources			
1. Financial markets Risks associated with changes in values of assets and liabilities caused by market movements, downgrades and defaults. **Risk preference** Seek **Impacted strategic objectives** To continue building a secure and sustainable business; To carry on leading as a responsible corporate citizen; To keep on driving long-term value growth	The global economic outlook continued to be volatile in 2024, with uncertainty over the timing of interest rate cuts and ongoing geopolitical risks, particularly the continued Russian invasion of Ukraine, the risks of a wider Middle East conflict and trade tensions. The impacts of these market conditions on PIC can be both positive and negative. While risks have been muted over 2024, as evidenced by narrow credit spreads, there are still potential risks in the future. **Change in year** Stable	Although interest rates have started to reduce and inflation has fallen substantially, there remains considerable uncertainty about the pace of interest rate reduction. A prolonged period of higher interest rates could lead to increased credit risk and put downward pressure on credit ratings. Sustained levels of downgrades and defaults would impact PIC's solvency position. The continuation of tighter spreads could impact PIC's ability to originate sufficient assets at the required spreads to meet business assumptions.	Exposure to market risks such as inflation is primarily managed through our hedging programme. We monitor market conditions and have risk appetite limits set to manage PIC's exposure to market risks. PIC also holds capital to protect the business against market movements and downgrades and defaults, and we continue to develop our methodology for calculating the amount of capital to hold.
2. Longevity Risks associated with pension payments that PIC makes being greater than expected due to policyholders living longer than assumed. **Risk preference** Accept **Impacted strategic objectives** To continue building a secure and sustainable business; To carry on leading as a responsible corporate citizen; To keep on driving long-term value growth	If PIC's policyholders live longer than was originally assumed when pricing new business, PIC's liabilities will increase. There has been increased uncertainty in relation to life expectancy following the Covid-19 pandemic. Mortality rates in the population have been higher following Covid-19. Mortality rates in 2024 year to date have shown some sign of improvement relative to 2023, but it is too early to say whether this is a seasonal impact or sign of a more structural change. **Change in year** Stable	The outlook for longevity risk is uncertain, driven by impacts of the Covid-19 pandemic. This is compounded by reductions in public spending and the cost-of-living crisis, with decreases in households' real income being linked to increases in premature deaths. This has driven a decrease in views of life expectancy in the UK, but with higher levels of uncertainty around estimates of life expectancy.	PIC generally seeks to transfer longevity risk via reinsurance contracts. This reduces the risk to PIC of policyholders living longer than expected, as any increase in liabilities is shared between PIC and the reinsurers. It also means that PIC does not benefit as much from reductions in longevity. Where PIC has retained longevity risk, this is weighted more heavily towards younger policyholders, a demographic which has so far been less overtly impacted by Covid-19 than older populations. PIC also holds capital to protect the business against potential increases in longevity.

Risk management (continued)

Key risk	Change in year	Outlook	How we are managing this
Sufficient Financial Resources			
3. Counterparty default Risk associated with the failure of one or more of PIC's banking or reinsurance counterparties. **Risk preference** Accept **Impacted strategic objectives**	A failure of one of PIC's counterparties could result in financial loss to PIC or to an increase in the capital that PIC is required to hold, weakening PIC's balance sheet. PIC's counterparties continue to demonstrate strong capital positioning and diverse business lines, with generally resilient balance sheets. **Change in year** =	Given the strong credit profile of PIC's counterparties, we anticipate minimal negative changes to their credit ratings in the near future. The uncertain macro-economic environment and geopolitical risks continue to pose challenges to PIC's counterparty portfolio. Catastrophic losses remain a significant risk for PIC's reinsurance counterparties. However, PIC's counterparty portfolio remains resilient to these risks, maintaining strong liquidity and capital buffers to absorb additional losses. The credit quality of PIC's counterparty portfolio remains robust.	We monitor the strength of our counterparties on a daily basis, and can decide to temporarily stop adding, or reduce, risk exposure with a counterparty if we view them as higher risk. Approval from the PIC Board is required before we transact with any new banking or reinsurance counterparties. We also hold capital and have collateral arrangements to protect the business against counterparty defaults.
4. Liquidity Risk associated with PIC's ability to meet its financial obligations as they fall due without incurring excessive cost. This includes risks stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimise a loss. **Risk preference** Minimise **Impacted strategic objectives**	Liquidity risk arises as a consequence of using derivatives to manage the sensitivity of PIC's balance sheet to movements in long-term interest rates, inflation and the US dollar/UK sterling exchange rate, and holding sufficient liquid assets to cover the collateral requirements on these. As a result of PIC's hedging strategy, real interest rates are a key driver of liquidity risk. Real interest rates continued to rise in 2024, which drove changes in the amount of liquid assets PIC needed to post to its derivative counterparties. However, PIC has significant liquidity, and our stress and scenario testing has shown we can withstand shocks and remain within our liquidity risk appetite. **Change in year** =	Markets remain uncertain, and the outlook for interest rates in the UK is heavily influenced by inflation experience and macro-economic volatility. Inflation indicators began reducing in the latter part of 2024. If this trend continues, volatility in interest rate expectations is expected to reduce.	PIC holds a material portion of its portfolio in high-quality liquid assets. This strategy ensures that PIC can meet its financial obligations, including collateral postings, during extreme market movements and market-wide liquidity events. We undertake extensive market and liquidity risk stress testing, alongside frequent monitoring of the liquidity position against liquidity risk appetite. We maintain a liquidity plan of management actions which can be taken if extreme events do occur.

Key

↑ Increased ↓ Decreased = Stable

To continue building a secure and sustainable business

To carry on leading as a responsible corporate citizen

To keep on driving long-term value growth

Risk management (continued)

Key risk	Change in year	Outlook	How we are managing this
Effective and Resilient Operations			
5. Business processes Risks associated with the adequacy of the design and implementation of PIC's business processes and controls. **Risk preference** Minimise **Impacted strategic objectives**	This risk relates to PIC's internal processes and controls failing or not scaling effectively as the business has grown in line with our strategic plan. Considerable enhancements to our control environment are in flight through 2025 which will, once completed, reduce the overall risk level. This will enable us to continue to effectively manage business process risks during future business growth. **Change in year** ↑	Whilst PIC continues to take on larger, more complex deals, this risk will continue to be appropriately managed due to the existing control framework and the implementation of continuous control enhancements.	As part of our Risk and Control Self Assessment process, we actively monitor the design, operation, and effectiveness of controls in place, mitigating risks associated with key processes and making enhancements where necessary. During 2024, we enhanced our focus on our key end-to-end processes, ensuring risks and compensating controls were identified assessed and operating as designed. Actions are currently underway to reduce the number of manual controls in place through several change projects. We have continued to improve our operational resilience processes, having recently refreshed our Recovery and Resolution plan. Further enhancements to our risk appetite and supporting key risk indicators are in train to allow us to continue to provide focused oversight of our risk profile.
6. Talent retention and recruitment Risks associated with a failure to attract, train and retain knowledgeable and skilled staff. **Risk preference** Minimise **Impacted strategic objectives**	The employee market over 2024 was driven by competition for key resources in the face of increased deal flow. New competitors have also emerged. This risk is stable, as our strategy and growth opportunities make us an attractive place to work in the life insurance market. We do continue to face specific challenges in sourcing appropriate candidates with niche skills and/or product knowledge, but generally across PIC our ability to attract and retain staff remains strong. We further reviewed and enhanced employee benefits packages in 2024. **Change in year** =	The recruitment market is expected to continue to be challenging, as the sector is experiencing significant growth.	Our Human Resources team is focused on strategic and tactical workforce planning in areas of stretch. Where resource is stretched, temporary cover is used if necessary. We carefully monitor staff turnover and continue to focus on and invest in staff development and wellbeing. In particular, we have invested in new state-of-the-art premises for our staff, which we moved into in Q4 2024.

Risk management (continued)

Key risk	Change in year	Outlook	How we are managing this
Effective and Resilient Operations			
7. Third parties Risks associated with the outsourcing of key business activities to third parties. **Risk preference** Minimise **Impacted strategic objectives**	PIC relies heavily on third parties to deliver a significant portion of its critical operations. These third parties are essential for various functions, including policy administration, investment management, and IT services. As PIC has grown, the number of suppliers has increased, making it crucial to monitor these suppliers effectively to protect customers and ensure operational efficiency. If PIC's third parties fail to deliver, PIC runs the risk of financial loss, policyholder detriment, regulatory breaches, and reputational damage. **Change in year** ↑	Third parties continue to be of increasing importance to the nature and delivery of PIC's strategy, policyholder solutions and other related activities, particularly as our portfolio expands. The future planned enhancements to our operational processes will increase reliance on external expertise to effectively manage our risk profile and deliver services to our policyholders.	The third party and outsourcing operating model continues to be enhanced in content and scope, with comprehensive training provided in the ownership and management of third party relationships. We closely monitor performance of existing third party relationships and actively ensure that alternative supplier options are always identified should the need to move to another supplier occur. We continue to run scenario assessments to ensure our Operational Resilience and safety and soundness, acting where we identify any gaps in processes.
8. Cyber Risk arising from unauthorised access to PIC's information systems and data (including sensitive data). **Risk preference** Minimise **Impacted strategic objectives**	A cyber attack on PIC's information systems and data (or our third parties) could result in financial loss, operational disruption and/or reputational damage. The external cyber threat landscape continues to pose a significant risk, driven by geopolitical shifts from national and international elections. This has influenced bad threat actors' approach to cyber attacks, especially with social media. According to the National Cyber Security Centre's annual review, "Many nation-state threat actors and cyber criminals are already using artificial intelligence ("AI") to increase the volume and heighten the impact of cyber attacks.". **Change in year** ↑	Our cyber risk programme will need to adapt with this evolving landscape as the nature of external cyber security risks continuously change and PIC continues to grow and increase our use of cloud services and third parties internally.	We maintain a robust IT environment to ensure protection of our data and security of our systems, assessing any potential impact/risk via third parties. The IT environment undergoes regular testing both internally by the Information Security and Security Operations Teams, and externally by trusted security providers. This testing ensures the effectiveness of security controls including our perimeter through penetration testing, incident response capability, and within 2024 have refined a number of the cyber risk appetite metrics. We continue to enhance controls in this area.

Key

↑ Increased ↓ Decreased = Stable

To continue building a secure and sustainable business

To carry on leading as a responsible corporate citizen

To keep on driving long-term value growth

Risk management (continued)

Key risk	Change in year	Outlook	How we are managing this
Meeting External Expectations			
9. Conduct risk The risk that PIC's business practices, culture or behaviour may lead to unfair or poor outcomes for customers. **Risk preference** Minimise **Impacted strategic objectives**	This risk could materialise by PIC failing to pay a policyholder correctly, or communications to policyholders being unclear or untimely. There is also a risk of vulnerable customers not receiving as good an outcome as other customers. The Consumer Duty regulations came into full effect this year, setting higher and clearer standards of consumer protection. **Change in year** =	The outlook for this risk is stable, although, following the introduction of the Consumer Duty, financial services firms in general can expect greater scrutiny from the FCA and the media on securing good customer outcomes.	Our Customer Committee provides oversight and advice to the Boards in relation to our Consumer Duty requirements. We have rolled out an AI tool to support our agents in recognising and responding to potential consumer vulnerability. We have extensive metrics and risk limits in place to monitor this risk. Also, we continue to refresh customer communications with new layouts and tone of voice to make our letters easier to read and understand.
10. Regulatory and political environment Risk associated with the regulatory and political environments in which PIC operates, including the ability of PIC to keep pace with changes in these environments. **Risk preference** Minimise **Impacted strategic objectives**	Regulatory change, supervision and political changes may reduce PIC's value proposition or result in PIC's business model becoming unviable. Therefore we note that the risks related to the regulatory and political environment remain high, but have changed and evolved over the year. **Change in year** =	We expect regulatory risk to remain high over the next 12 months, considering the implementation of Solvency UK and the Life Insurance Stress Test, as well as ongoing regulatory developments following the change in the UK Government and the potential for legislative reform.	We maintain an open dialogue with regulators and policymakers, closely monitoring discussions and scanning the horizon for potential regulatory political risks to the business. PIC aims to ensure prompt delivery of regulatory information to assist in supervisory activities and engage in relevant consultations. We identify regulatory change risk via horizon scanning and risk reviews, including where changes pose a risk to the business; resource is focused on managing the necessary change and monitoring the key outcomes.
11. Climate change The potential for adverse consequences arising from the impacts of climate change, including physical risks arising from climate-driven events, and transitional risks arising from the process of adjustment to a low-carbon economy. **Risk preference** Minimise **Impacted strategic objectives**	Climate change continues to be an area of concern for the public, insurers and regulators alike. Climate change may reduce the value of PIC's assets, increase the cost of capital, affect new business volumes, cause operational disruption and have a negative reputational impact. **Change in year** =	The focus on climate change and related sustainability risk will remain high given the continued focus from key stakeholders in the UK. Climate change is likely to lead to increasingly acute weather catastrophes. Longer-term changes to natural resource availability and societal changes could lead to potential reductions in the value and availability of assets PIC invests in (e.g. property and infrastructure), and disruption to PIC's operations and counterparties. Increased weather catastrophes would also lead to increased fixed costs for PIC on the built assets it manages (e.g. cost of insurance). Finally, policy changes from future governments (e.g. some governments rowing back on or strengthening their climate commitments previously made) could lead to stranded assets (i.e. those PIC is unable to sell).	We continue to monitor the risk appetite metrics set for climate change risk, helping identify PIC's performance against published Net Zero targets. We continue to perform stress and scenario testing, focusing on specific sector transition pathways to identify the risks to which we are exposed. We also continue to monitor regulatory and policy developments in the UK and the key markets in which we operate to ensure we remain compliant.

Longer-term viability statement

1. The assessment process

The longer-term viability process is primarily carried out through strategic and financial planning. The Group's strategy (see pages 14 to 15) and year-on-year activities, combined with a focus on material factors which may impact the Group in the foreseeable future, are central to the assessment that the Group can be reasonably expected to continue in operation and meet its liabilities as they fall due. The Group's business plan is prepared annually and covers a five-year period on a rolling basis. The plan covers projected performance and related profitability, cash and value generation and the capital position of the Group over the period. The plan is tested against the risk appetites set for the Group by the Board. This includes a number of stresses and scenarios to test the Group's resilience and capacity to respond to relevant stresses and shock events, which may potentially impact the Group. The Group also evaluates various management actions designed to maintain and restore key capital and liquidity metrics to within the Group's approved risk appetite over the planning period and takes into account the cost of these actions to the Group's Solvency Surplus and their potential impact on the Group's IFRS profits.

2. The assessment period

The Directors have assessed the viability of the Group by reference to the five-year planning period to December 2029, which has been chosen as appropriate because it reflects the Group's business model and the dynamics of the pension risk transfer market as covered by the Group's five-year business plan.

3. Assessment of viability

In considering the viability of the Group, the Directors have assessed the key factors relating to the Group's business model, strategy and the stress and scenario tests carried out. This has included, but not been limited to, consideration of the uncertainty surrounding the macro-economic environment and its potential impact on the Group, as well as the potential impact of climate change related risks. The Directors have also carried out an assessment with reference to the Group's business plan which contained financial forecasts from December 2024 to December 2029. The Directors discussed the business strategy, market opportunity and potential future strategic objectives. They considered the business plan which was supported by the assessment of key risks to the successful execution of the business plan. The Directors also considered the Group's principal risks and how these are managed, as detailed on pages 75 to 79.

The risk assessment of the business plan included sensitivity testing relating to key assumptions, and horizon scanning to consider the key risks to the business over the business planning period and the potential impact of these on the business plan objectives. The key risks considered in assessing the business plan were:

- PIC's ability to source high-quality assets with appropriate yields to support PIC's pricing model;
- the risk that credit spreads fail to widen, denting the profitability of new business;
- the risks to PIC's operations if the plan is achieved, focusing on the adequacy of PIC's systems, processes and controls;
- the risks relating to recruiting and retaining the staff required to grow the business in line with the plan;
- access to capital and reinsurance, and;
- the risks arising from the external environment, including technological advances and changes in government policy.

This year, the Board completed their annual review of solvency and liquidity risk appetites, and reviewed a range of updates to the risk preferences, risk appetites and associated limits. The Board discussed reports on the progress of stress and scenario testing and management incorporated these considerations into the business planning. The Board also continued to assess management actions available to mitigate risks arising from those adverse scenarios and the actions to ensure the Group remained resilient and robust, and fed these into associated processes such as Recovery and Resolution planning.

As well as risks arising from the macro-economic environment, a number of operational scenarios were performed during 2024. These included 'failure to correctly manage a large deal' and 'malicious employee actions'.

4. Viability statement

Based on the results of the assessment of the Group's prospects and viability, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due in the five-year assessment period.

On behalf of the Board

David Weymouth
Chairman
22 Ropemaker Street,
London EC2Y 9AR

14 March 2025

Non-Financial and Sustainability Information Statement

This section of the Strategic Report constitutes the Non-Financial and Sustainability Information Statement of Pension Insurance Corporation Group Limited, to comply with sections 414CA and 414CB of the Companies Act 2006.

The information listed in the table below is incorporated by cross-reference.

Reporting requirement	Key policies and standards that govern our approach	Additional information in this report and page reference
Mandatory climate-related financial disclosures		• Climate-related financial disclosures (p82-83)
Environmental matters	• Climate Report (TCFD), Basis of Reporting report, Transition Plan • Our Journey to Net Zero • Sustainability Policy • Stewardship Policy • Sustainability Report	• Sustainability (p54-62) • Greenhouse gas emissions (Directors' Report) (p128) • Stewardship and engagement (p62)
Employees	• Health and Safety Procedure • HR-related policies across a range of areas including hybrid working, flexible working, recruitment, remuneration, absences, diversity and inclusion, family-friendly leave, parental leave, capability and redundancy	• Our people and culture (p50-53)
Social matters	• Stewardship Policy • Complaints Handling Policy • Customer Outcomes Policy • Customer and Community Policy	• Sustainability (p54-62) • Stakeholder engagement (p40-43) • Customer Care (p28-33) • Strategy in action case studies (p18-21)
Respect for human rights	• Anti-Slavery and Human Trafficking Policy • Diversity and Inclusion Policy • Modern Slavery Statement (on website)	• Stakeholder engagement (p40-43) • Governance report (Modern Slavery) (p95) • Governance report (Anti-bribery and Anti-corruption and Modern Slavery Act 2015) (p95-96)
Anti-corruption and anti-bribery	• Anti-Bribery and Anti-Corruption Policy • Anti-Facilitation of Tax Evasion Policy • Anti-Fraud Policy • Conduct Risk Policy • Conflicts of Interest Policy • Whistleblowing Policy	• Governance report (Anti-bribery and Anti-corruption and Modern Slavery Act 2015) (p95-96)
Description of the business model	• Business strategy	
Description of principal risks	• Risk Management Framework • Extensive suite of risk policies	• Risk management (p72-79) • Strategic objectives (p14-15)
Description of non-financial KPIs		• Key performance indicators (p16-17)

The policies and standards mentioned above form part of the Group's policies, which act as the strategic link between our strategy, values and how we manage the Group on a day-to-day basis.

During the year, the Board determined that the policies remain appropriate, are consistent with the Company values and support its long-term sustainable success.

Mandatory statutory climate-related financial disclosures under section 414CB(2A) of Companies Act 2006

s.414CB(2A)(a) Describe the company's governance arrangements in relation to assessing and managing climate-related risks and opportunities

The ultimate responsibility for assessing climate-related risks and opportunities lies with the Board. Where relevant, assessing and managing these risks is delegated to the appropriate Board Committees, such as the Board Risk Committee for consideration of climate risk management within the overall risk framework, and the Investment and Origination Committee for the integration of sustainability-related risks into the investment decision-making process.

The Board regularly considers and discusses sustainability matters and this includes climate-related risks and opportunities.

s.414CB(2A)(b) Describe how the company identifies, assesses, and manages climate-related risks and opportunities

Identification: We conduct climate risk assessments to identify potential climate risk exposures and immediate actions for managing these risks. This involves leveraging analyses from third-party sources and performing due diligence on assets under consideration for investment.

Assessment: We use our risk management processes to analyse the climate risks we are exposed to, such as the Own Risk and Solvency Assessment ("ORSA") process and the Risk and Controls Self-Assessment ("RCSA") process. We also carry out detailed climate risk analysis on a case-by-case basis in our investment process.

Management: In addition to making short-term adjustments to our portfolio, we establish long-term objectives and action plans aligned with our Net Zero targets. This includes engagement and divestment actions, as well as short-term measures, such as introducing covenants into contracts related to the reporting of sustainability performance metrics and evaluating climate-related risks associated with new private assets, prior to investment.

s.414CB(2A)(c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management process

PIC's Enterprise Risk Management ("ERM") Framework establishes a consistent approach to identifying, managing and reporting all risks. Climate change is included in this framework as a risk to PIC's strategic objectives. Further information can be found on pages 72 to 79.

PIC analyses climate risk through the following risk management processes:

- Own Risk and Solvency Assessment – an annual process to consider the potential impact of quantifiable risks on PIC's business, through qualitative and quantitative scenario analysis. Climate change risk is considered in detail in this process.
- Risk and Control Self-Assessment – a qualitative process to consider the potential impact of non-quantifiable risks on PIC's business.
- Investment Due-Diligence – given that we consider the investment portfolio to be the most material area of climate risk exposure, climate risk is analysed in detail within our investment process.

The Risk team are involved in the analysis of climate change risk across the investment portfolio and other areas.

s.414CB(2A)(d) Describe:

(i) the principal climate-related risks and opportunities arising in connection with the company's operations; and

(ii) the time periods by reference to which those risks and opportunities are assessed

There are two key types of risk associated with climate change: 1) the risks that arise as the economy moves from a carbon-intensive one to a Net Zero emissions economy, known as transition risks; and 2) risks associated with an increase in global temperatures, known as physical risks.

PIC's Climate Report (TCFD) includes detail on how we expect physical and transition risks to impact on the business. Specifically, we have identified Solvency and Liquidity as areas where the impact of both physical and transition risks is potentially significant.

Given the nature of these risks, physical climate risk is less likely to materialise in the short term, and we view it as a longer-term risk (5+ years). Transition risk could materialise over the medium term (1-5 years) given the possible timescales of the shift to a lower-carbon economy. However, in the case of both physical and transition risk, we also actively consider the possibility that financial markets may price in this risk in advance of the risk itself materialising.

Mandatory statutory climate-related financial disclosures under section 414CB(2A) of Companies Act 2006 (continued)

s.414CB(2A)(e) Describe the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy

PIC currently experiences limited impact on its business model from climate-related risks and opportunities. The potential impacts on the management of the investment portfolio are recognised as more probable. The climate-related risks we have identified have the potential to necessitate changes in PIC's investment strategy to effectively navigate emerging climate-related challenges and capitalise on opportunities.

s.414CB(2A)(f) Include an analysis of the resilience of the company's business model and strategy, taking into consideration different climate-related scenarios

In 2024, we have further developed our quantitative climate scenario analysis, building on the analysis performed in 2023.

We have developed tangible and realistic climate transition scenarios for sectors where there is a material transition risk and where PIC has a material holding. Based on these scenarios, which included both a best estimate transition and an accelerated transition scenario, we estimated the impact on the credit quality of the sector and of the issuers in our portfolio. The scenarios were designed based on our internal views and external research, covering the following sectors: oil and gas, utilities, airports, automobile manufacturers and housing associations.

The scenarios demonstrated that PIC's investment approach remains appropriate in managing our climate transition risk, supporting the conclusions of the portfolio-wide analysis in 2023.

s.414CB(2A)(g) Describe the targets used by the company to manage climate-related risks and to realise climate-related opportunities and of performance against those targets

Refer to our explanation for s.414CB(2A)(h) below.

s.414CB(2A)(h) Describe the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and of the calculations on which those key performance indicators are based

Information on metrics that support us in embedding climate change considerations into our investment decision-making process and managing the impact of climate risk can be found on page 79 and in our Climate Report (TCFD).

The Strategic Report on pages 1 to 83 was approved by the Board and signed on its behalf by:

David Weymouth
Chairman
22 Ropemaker Street,
London EC2Y 9AR

14 March 2025

Corporate Governance.

Chairman's introduction to Corporate Governance

David Weymouth
Chairman

I am delighted to introduce the Group's Corporate Governance report, which details our commitment to the highest standards of corporate governance.

A robust governance framework combined with close Board oversight of the business ensures that the long-term success of the Group is based on the effective identification and management of the Group's risks. The following pages explain our approach to applying the provisions of the UK Corporate Governance Code 2018 (the "Code") and we explain how we discharge our duties under s.172 of the Companies Act 2006 on pages 44 to 49, including the responsibilities we have to our policyholders and stakeholders. The report includes Committee reports from the Audit, Investment and Origination, Nomination, Remuneration, and Risk Committees.

The Board's activities have continued to focus on our medium-to-long-term strategic objective of growing our business in a safe and sustainable way, and fulfilling our duties in respect of governance and oversight of our systems of risk management and controls.

I have also taken time to reflect on the work of the Board as a whole and am comforted by the Board's wealth of knowledge, experience, and also by the challenge and support it provides to management. I have also focused on the areas for development identified in previous Board performance reviews.

Update on actions from the 2023 Board performance review

Last year, we outlined the process and the observations from the 2023 external Board performance review and the recommendations for development as part of the 2024 action plan.

The first recommendation was that Board agendas should be refocused so that topics requiring more discussion and debate were scheduled earlier in the meeting. The Corporate Secretariat, General Counsel and I have worked together to refocus and re-work the agendas for Board meetings with additional time being allocated to discuss strategic matters and organisational change initiatives.

The second recommendation related to the quality of Board reports.

The length of papers and the overall quality of Board reporting have been considered and a new Board paper template was provided in Q2 2024 for all Board and Committee meetings.

The third recommendation related to the coordination between Committees. Meetings between myself and each of the Chairs of the Board Committees are held prior to each quarterly meeting to ensure there is alignment between the Committees and that themes that are relevant to multiple committees are suitably addressed and avoid duplication.

The final area of development was to further develop the Board's oversight of culture. The remit of the Remuneration Committee was expanded in 2023 to include oversight of the development and measurement of the Group's culture and during 2024, the Remuneration Committee and the Board have considered PIC's culture and the embedding of its refreshed values. The Chief People Officer provides a report to each quarterly Board meeting on various people, culture and remuneration matters and in March 2024, a deep dive on culture and values was presented to the Board, with further updates on the refreshing of PIC's culture statement and the development of a culture dashboard being presented at subsequent meetings throughout the year. This culminated in the Board approving an updated culture statement at its meeting in November 2024.

In 2024, the Board undertook an internal performance review and the results were shared with each of the Board Committees and the Board in November 2024. The review showed that the Board and its Committees continued to be effective and committed, have the right balance of skills and experience, with clearly defined roles and responsibilities between the Board and its Committees and that the Board is well informed and therefore able to make high-quality decisions. The Board will focus on the recommendations from the 2024 review and any remaining actions from the 2023 external Board performance review during 2025. More detail can be found on pages 103 to 104.

Chairman's introduction to Corporate Governance (continued)

Areas of focus in 2024

The Board has continued to focus on meeting its obligations in respect of the Consumer Duty regulation and embedding the Consumer Duty into PIC's operations. PIC was required to produce its first Consumer Duty Board Report in 2024 and this was approved by the Board in June 2024.

In July 2024, the Board considered and approved the next phase of approvals to progress the Investment Platform Programme (IPP).

Another key focus of the Board during the year was the payment of PICG's final dividend for the year ended 31 December 2023 of £147 million, which equated to 11.0 pence per ordinary share in May 2024. In September 2024, the Board approved an interim dividend of £147 million which equated to 11.0 pence per share, along with the payment of a special dividend of £106 million, which equated to 8.0 pence per share. This was a total dividend payment of £400 million made to shareholders in 2024. Further information of the Board's key considerations for the payment of dividends can be found on page 49.

The Board and changes to the Board

PICG's Board of Directors is made up of 13 Directors, seven of whom are independent. Of the remaining Directors, five are appointed by the main shareholders and one is the CEO.

PIC's Board consists of 15 Directors, nine of whom are independent, four of whom are appointed by the main shareholders and two of whom are members of the executive management (the CEO and CFO).

We have considered executive succession planning for all Executive Committee members. During the year there were two appointments from the Group's existing talent. Mitul Magudia was appointed the Chief Origination Officer in April 2024, taking over from Jay Shah, who stepped down from the role at the end of March 2024. Following the retirement of Louise Inward, Martin Griffiths was appointed as Company Secretary with effect from 16 December 2024 and as General Counsel on 1 January 2025.

In August 2024, the Board approved the appointment of Tracey Graham, who joined the PIC and PICG Boards on 1 January 2025 and who replaced Roger Marshall as the Senior Independent Director. The Board also approved the appointment of Martin Pike, who joined the PIC Board on 1 January 2025. Roger Marshall stepped down from the PICG and PIC Boards and as Senior Independent Director on 31 December 2024.

The biographies of our Directors, including their experience and relevant expertise, are set out on pages 87 to 92 of this report. Both Boards have an appropriate balance between independent Directors and shareholder nominated Directors.

David Weymouth
Chairman

14 March 2025

Board of Directors

David Weymouth

PICG & PIC Director
Chairman of the Board

N IO R

Date of appointment

David was appointed to the Board in October 2022 and became Chair in December 2022.

Background and career

David has extensive Chair and non-executive experience across a range of financial services businesses. He has previously chaired Fidelity Investment Services (UK) Limited, served as Senior Independent Director at Royal London Mutual Insurance Society, Chair at Mizuho PLC and as Audit and Risk Chair at a number of businesses.

He is currently the Chair of One Savings Bank Group PLC and Chair of Risk Committee at Marsh UK. David's executive career included serving as Global Chief Information Officer at Barclays and Chief Risk Officer at RSA PLC.

Areas of expertise

David has more than 30 years' experience operating at Executive and Board level across banking, insurance and asset management. He has deep functional expertise across business transformation, technology operations and risk.

Current external roles

Chair of OSB Group PLC and NED and Chair of Risk Committee, Marsh UK.

Tracy Blackwell CBE

PICG & PIC Director
Chief Executive Officer

Date of appointment

Tracy was appointed to the Board as an Executive Director in July 2011 and appointed as Chief Executive Officer in July 2015.

Background and career

Tracy is Chief Executive Officer and a Director of Pension Insurance Corporation plc, as well as CEO and a Director of PIC's parent company, Pension Insurance Corporation Group Limited. Tracy is responsible for leading PIC's management team in carrying out the company's strategy. Tracy was one of PIC's founders, joining in 2006. Until she became CEO in 2015, Tracy was PIC's Chief Investment Officer and was responsible for building up the company's asset management function.

Areas of expertise

Areas of particular interest include the social value created through the housing developments and infrastructure projects funded by institutional investors, and cognitive diversity in financial services.

Current external roles

Tracy is a member of Wellcome Trust's Investment Committee; Chair of the Purposeful Finance Commission; a Member of the British Infrastructure Taskforce; a Member of Council, Radley College; a Board member of Netwealth; and a Board member of the Association of British Insurers.

Dom Veney

PIC Director
Chief Financial Officer

Date of appointment

Dom was appointed to the PIC Board as an Executive Director in December 2021.

Background and career

Dom is the Chief Financial Officer and a Director of Pension Insurance Corporation plc. He joined PIC as Chief Actuary in 2017 and was appointed as Chief Financial Officer in December 2021.

Prior to his tenure at PIC, Dom spent more than 15 years at PwC, where he worked with many leading life insurers and led several regulatory projects, including the global coordination of PwC's response to the introduction of IFRS 17.

Dom is a Fellow of the Institute and Faculty of Actuaries and holds a degree in Mathematics from the University of Warwick.

Areas of expertise

Dom has over 25 years' experience in the life insurance sector, with in-depth knowledge of insurance financial and capital management, and regulatory affairs. He also has significant experience in finance restructuring projects, risk management, and the implementation of new financial reporting standards.

Current external roles

Dom serves in an advisory capacity to the Financial Reporting Council where he has contributed his extensive knowledge and experience to the development of actuarial standards and practices.

Key

Chair | A Audit Committee | CC Customer Committee | IO Investment and Origination Committee | N Nomination Committee | R Remuneration Committee | Ri Risk Committee

Board of Directors (continued)

Jake Blair

PICG & PIC Director
Non-Executive Director
Shareholder nominated by HPS

IO

Date of appointment

Jake was appointed to the Board in June 2021.

Background and career

Jake is a Managing Director at HPS Investment Partners. Prior to joining HPS in 2007, he served as a Vice President in General Electric's Commercial Finance Distressed Debt Group, where he invested in distressed leveraged loans and was involved in numerous workouts on behalf of GE Capital. In 2000, Jake founded CampInteractive, a Bronx-based non-profit, where he served as Executive Director for four years.

Jake holds a BA from Washington & Lee University and an MBA from Columbia Business School.

Areas of expertise

Jake has over 20 years' experience in the financial services industry, in particular in investment management with an in-depth focus on credit.

Current external roles

Jake is a Managing Director at HPS Investment Partners and represents HPS as a board member of Acra Lending Holdings, Spectrum Automotive Holdings, Canaccord Genuity Wealth Management UK and Nucleus Financial Platforms Limited.

Sally Bridgeland

PIC Director
Independent Non-Executive Director

Ri A

Date of appointment

Sally was appointed to the PIC Board in January 2021.

Background and career

Sally has a portfolio of non-executive and advisory roles. Her previous executive roles include Chief Executive Officer of BP Pension Fund and extensive pensions and investment consulting experience. She has served as a Trustee Director of Lloyds Banking Group Pension Trustee Limited, where she stepped down in 2020, and as Chair of Local Pensions Partnership Investments Limited and Non-Executive Director of Local Pensions Partnership Limited, where she stepped down in 2023. Sally was Chair and Non-Executive Director of Impax Asset Management Group plc until July 2024. Sally has held Ministerial appointments for the Nuclear Liabilities Fund and NEST Corporation. Sally is a Fellow of the Institute and Faculty of Actuaries and in 2020 she received the Award of Honour from the Worshipful Company of Actuaries. She was winner of the 2023 Non-Executive Director Awards for the FTSE AIM category.

Areas of expertise

Sally is an actuary and has nearly 40 years' experience in the UK pensions, insurance and investment industry gained from executive and non-executive roles.

Current external roles

Sally is Chair of home care provider BelleVie, Chair of Brunel Pension Partnership (Deputy Chair from May 2024) , Chair of Development Bank of Wales plc and Non-Executive Director of Royal & Sun Alliance Insurance. Sally is an Honorary Group Captain in 601 Squadron of the Royal Auxiliary Air Force.

Judith Eden

PICG & PIC Director
Independent Non-Executive Director

R CC N Ri

Date of appointment

Judith was appointed to the Board in August 2019.

Background and career

Most of Judith's career was spent at Morgan Stanley in operational, financial and strategic management roles in both the Institutional Securities and Investment Management (MSIM)divisions. In 2009, she was appointed a Director and Chief Administrative Officer of MSIM Ltd, where she oversaw a period of significant restructuring and change. In 2013, she became Chief Executive Officer of MSIM's international cross-border fund management company. Since 2015, Judith has focused on her non-executive career. Judith is an alumnus of PwC, (Fellow of ICAEW) and INSEAD (Corporate Governance Certificate).

Areas of expertise

Judith has over 30 years' experience in financial services from executive and non-executive roles. Judith was Senior Independent Director and Chair of the Remuneration Committee of Flood Re Limited until January 2024 and a Non-Executive Director of Flood Re Limited until August 2024. Judith was also Audit Committee Chair of Invesco UK Limited.

Current external roles

Judith is a Non-Executive Director of Invesco Asset Management Ltd and Senior Independent Director and Audit Committee Chair of ICBC Standard Bank plc. She is also Audit Committee Chair at TSB Banking Group plc and Council Member at the University of Surrey.

Board of Directors (continued)

Tim Gallico

PICG Director
Non-Executive Director
Shareholder nominated by CVC

Date of appointment

Tim was appointed to the Board in August 2020.

Background and career

Tim is a Partner at CVC Capital Partners, based in London and is focused on the Strategic Opportunities investment platform. Prior to joining CVC in 2005, he worked for Bain & Co. Tim holds a degree in Social and Political Sciences and Management Studies from the University of Cambridge.

Areas of expertise

Tim has nearly 20 years' experience in the investment industry as well as experience as a director of both regulated and unregulated companies.

Current external roles

Tim represents CVC and currently sits on the boards of entities in the following groups: Asplundh Tree Expert LLC, the RAC Group, Riverstone International and Dale Holdings Limited. He also acts as a Trustee of United World Schools.

Julia Goh

PICG & PIC Director
Independent Non-Executive Director

CC IO

Date of appointment

Julia was appointed to the Board in January 2021.

Background and career

Julia has broad-based financial services experience in London. She was a Managing Director at Barclays Investment Bank in various senior front-office positions including as Chief Operating Officer of Global Markets, and was also Chair of the Barclays Women's Initiative Network. Prior to that, she was a Managing Director and the Global Head of Prime Services Risk at Credit Suisse for 11 years, where she was also Chair of the Equities Diversity Advisory Council. Julia started her Markets career at Nomura International as a risk manager. She is a fellow of the ICAEW (alumnus PwC) and has a Certificate in Company Direction from the Institute of Directors. She holds a BSc from the London School of Economics and Political Science and an MSc from Bayes Business School.

Areas of expertise

Julia has significant senior front-office experience with specific expertise in Markets (Sales & Trading), hedge funds, structured products, risk management and internal controls, especially at times of business transformations and change.

Current external roles

Julia is a Non-Executive Director and Audit and Risk Committee Chair of Schroder AsiaPacific Fund plc, and Non-Executive Director of The Mercantile Investment Trust plc. She is also a Director of the charity Children of the Mekong.

Tracey Graham

PICG & PIC Director
Independent Non-Executive Director and Senior Independent Director

A CC N

Date of appointment

Tracey was appointed to the Board in January 2025.

Background and career

Tracey Graham is an experienced senior non-executive director having served on several listed companies, private and mutual boards across a range of sectors. She has extensive experience as a Senior Independent Director and Remuneration Committee Chair.

Her final executive role was as Chief Executive Officer of Talaris Limited, an international cash management business where she led an MBO backed by the Carlyle Group. Before that she held a number of senior roles in De La Rue plc, HSBC and at AXA Insurance.

Tracey served as Senior Independent Director on the Boards of DiscoverIE plc and Ibstock plc. She also served as Non-Executive Director and Remuneration Committee chair on the Boards of Royal London Mutual Insurance Society and Dialight plc. Tracey also chaired the LINK Consumer Council and was a Non-Executive Director of the LINK Scheme until December 2024.

Areas of expertise

Tracey brings significant commercial and operational experience as a former CEO, together with extensive Board experience having served on Boards across a range of sectors including financial services/regulated businesses.

Current external roles

Senior Independent Director of Nationwide Building Society and Non-Executive Director and Chair Remuneration Committee of Close Brothers plc.

Board of Directors (continued)

Stuart King

PICG & PIC Director
Independent Non-Executive Director

CC A R Ri

Date of appointment

Stuart was appointed to the Board in January 2019.

Background and career

Stuart previously worked at the Bank of England before moving to become Head of UK Banks Regulation and then Head of Major Insurance Groups Regulation at the Financial Services Authority ("FSA") (predecessor of the Financial Conduct Authority). After his time at the FSA, Stuart became Managing Director at advisory firm Promontory Financial Group and after that Group Compliance Director at Aviva plc.

Areas of expertise

Stuart has over 25 years' experience working in the UK financial regulation industry, as both regulator and at regulated firms, and led the enhanced supervision approach of major insurance groups following the financial crisis in 2007.

Current external roles

He is a Commissioner of the Guernsey Financial Services Commission. Stuart remains an external adviser to financial services firms. He is a trustee to a number of charities working in the areas of education and mental health.

Arno Kitts

PICG & PIC Director
Independent Non-Executive Director

IO N Ri *

Date of appointment

Arno was appointed to the Board in July 2016.

Background and career

Arno's previous roles include Managing Director of BlackRock's £250 billion UK institutional business, Head of Henderson Global Investors global distribution and Head of JPMorgan's Asset Management UK institutional business. Arno was a JPMorgan Managing Director, responsible for institutional and defined contribution business, and he was the Chief Executive Officer of the JPMorgan Life business. He served as a director of many investment funds and was a former Board member of the Pensions and Lifetime Savings Association ("PLSA"). Arno is a Fellow of the Institute of Actuaries and holds a PhD from the University of Southampton.

Areas of expertise

Arno has been involved in investment management since 1989, including seven years as Head of Investments of an insurance company. Arno was a member of the Council and Finance & Investment Board of the Actuarial Profession and has been actively involved in industry matters as a member of the PLSA Defined Benefit Council.

Current external roles

Arno is the founder of Perspective Investments, an investment management firm. He is also a Non-Executive Director of Wake TT (Malta) Ltd, a member of the Investment Committee of Valesco and an adviser to New World Group.

* Arno Kitts was a Nomination Committee member until 31 December 2024.

Josua Malherbe

PICG Director
Non-Executive Director
Shareholder nominated by Reinet

N R

Date of appointment

Josua was appointed to the Board in December 2015.

Background and career

Josua qualified as a chartered accountant in South Africa in 1984, having worked at a predecessor firm to PwC. He became Chief Executive Officer of VenFin Limited in 2000 until 2006 when he held the position of Deputy Chairman. VenFin Limited was acquired by Remgro Limited and Josua now serves as a director of Remgro. He holds a BCom LLB from Stellenbosch University and a CTA from the University of Cape Town and holds the professional qualification CA(SA).

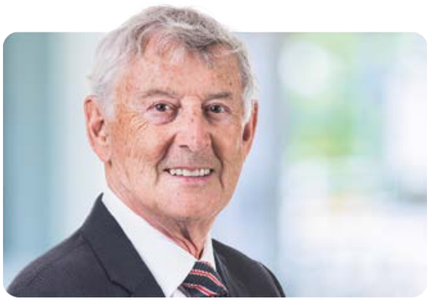
Areas of expertise

Josua has over 30 years' experience in corporate finance and has had executive experience at companies since 1993.

Current external roles

Josua is a director of Compagnie Financière Richemont S.A. and is a director at Remgro Limited and Reinet Investments S.C.A.

Board of Directors (continued)



Roger Marshall

PICG & PIC Director
Independent Non-Executive Director and Senior Independent Director

A* Ri

Date of appointment

Roger was appointed to the Board in September 2015. Roger retired from the Board and as Senior Independent Director on 31 December 2024.

Background and career

Roger spent much of his career in PwC, where he was an audit partner in London and Zurich. Roger was Chair of PwC's Global Audit Policy Board and its global Corporate Reporting Task Force. He served on the board of Old Mutual plc, where he was also Chair of the Audit Committee. He was Chair of the Accounting Standards Board and a Director of the Financial Reporting Council. He also served on the board of the European Financial Reporting Advisory Group and was interim President. He is a Fellow of the ICAEW and Honorary Fellow of the Chartered Institute of Internal Auditors.

Areas of expertise

Roger's career at PwC and his subsequent non-executive roles have given him substantial skills and experience in accounting, risk management, compliance and audit in the financial services industry.

Current external roles

Roger does not have any current external roles.

* Roger Marshall was Chair of the Audit Committee until 31 August 2024.

Andy Moss

PICG & PIC Director
Independent Non-Executive Director

A* R Ri

Date of appointment

Andy was appointed to the PIC Board in September 2023 and subsequently appointed to the PICG Board on 1 January 2024.

Background and career

Andy has worked in the life insurance sector for over 25 years and in the wider insurance market for 35 years. He was Chair of the Phoenix Assurance General Insurance (PAGI) Board and also sat as a NED on the board of Sun Life Limited, Opal Re Bermuda and Standard Life Unit Trust Managers. Andy has held a number of other board roles over the last 20 years as both an executive and non-executive member.

Areas of expertise

Andy is a highly experienced former Chief Executive Officer and Finance Director with a strong commercial outlook and he has experience of growing and acquisitive businesses. He has a deep understanding of finance and risk management and effective operating models in FTSE100 businesses.

Current external roles

Andy is Chair of St James's Place Wealth Management plc and is also Senior Independent Director and Audit Chair at Ascot Underwriting Limited. Andy cares passionately about giving back to the community and supporting charities and is currently a Director and Trustee of Midlands Air Ambulance and of Rugby for Heroes.

* Andy Moss became Chair of the Audit Committee from 1 September 2024.

Jérôme Mourgue D'Algue

PICG & PIC Director
Non-Executive Director
Shareholder nominated by ADIA

IO N

Date of appointment

Jérôme was appointed to the Board in November 2018.

Background and career

Jérôme holds an MBA from the Wharton School and a BA from ESSEC. He was previously an Associate at McKinsey & Company and Vice President of Morgan Stanley Capital Partners in London. Jérôme was a Partner at private equity firm Englefield Capital LLP. He has been an employee of Abu Dhabi Investment Authority ("ADIA") since 2012. He became Head of Financial Services in the Private Equity Department in 2017, Head of EMEA in 2019 and is now the Global Head of Private Equity.

Areas of expertise

Jérôme has spent 25 years working in the financial services industry, with a strong background in asset management.

Current external roles

Jérôme is currently the Global Head of Private Equity at ADIA and represents ADIA on the boards of various entities ADIA has invested in.

Board of Directors (continued)

Martin Pike

PIC Director
Independent Non-Executive Director

A IO Ri

Date of appointment

Martin was appointed to the PIC Board in January 2025.

Background and career

Martin has over 30 years' experience in the financial services/insurance sector as a strategy and risk consultant, and actuary. He brings experience from previous roles at Abrdn PLC where he was Chair of the Risk & Capital Committee and a member of the Remuneration Committee, Audit Committee and Nomination and Governance Committee. Martin was Chairman of the Remuneration Committee, and member of the Audit Committee for esure Group PLC. Martin served as Chair of Faraday Underwriting Limited (a subsidiary of Gen Re managing a syndicate at Lloyd's) and as Chair of AIG Life (a subsidiary of the AIG Group). Previously he was Managing Director, Risk Consulting and Software EMEA at Towers Watson from 2010 until 2013 having spent just under 30 years with the business.

Areas of expertise

Martin has a strong strategic risk and strategy background and experience as a non-executive director in FTSE100, FTSE250 and other unlisted businesses, including chair roles at subsidiary company level.

Current external roles

Martin is Chairman and joint founder at Greencore Homes Ltd, a net zero carbon and low-energy residential construction business, which has grown through start-up into scale-up

Peter Rutland

PIC Director
Non-Executive Director
Shareholder nominated by CVC

IO R

Date of appointment

Peter was appointed to the PIC Board in May 2017.

Background and career

Peter is a Managing Partner and Head of CVC's Financial Services Team and is based in London. Prior to joining CVC in 2007, he had worked for Advent International since 2002. Peter has had previous roles at Goldman Sachs in the Investment Banking division. Peter holds an MA from the University of Cambridge and an MBA from INSEAD.

Areas of expertise

Peter has over 20 years' experience in the banking, investment and insurance industries as well as experience as a director of both private and listed companies.

Current external roles

Peter represents CVC and is a member of boards representing the following groups: Newday, Paysafe, TMF and Resurs.

Wilhelm Van Zyl

PICG & PIC Director
Non-Executive Director
Shareholder nominated by Reinet

IO Ri

Date of appointment

Wilhelm was appointed to the PIC Board in May 2015 and subsequently appointed to the PICG Board in October 2017.

Background and career

Wilhelm is the Chief Executive of Reinet Investments Manager S.A. and Reinet Fund Manager S.A. Prior to this, he was group actuary of the financial services group Metropolitan Holdings from 2001 and headed up its corporate business from 2006. In 2008 he was appointed as Chief Executive of Metropolitan Holdings. Following the listing of MMI Holdings in 2010, resulting from the merger between Metropolitan and Momentum, he was appointed as Deputy Group Chief Executive. Wilhelm holds a BCom degree from Stellenbosch University and is a Fellow of the Institute and Faculty of Actuaries (UK) and Fellow of the Actuarial Society of South Africa.

Areas of expertise

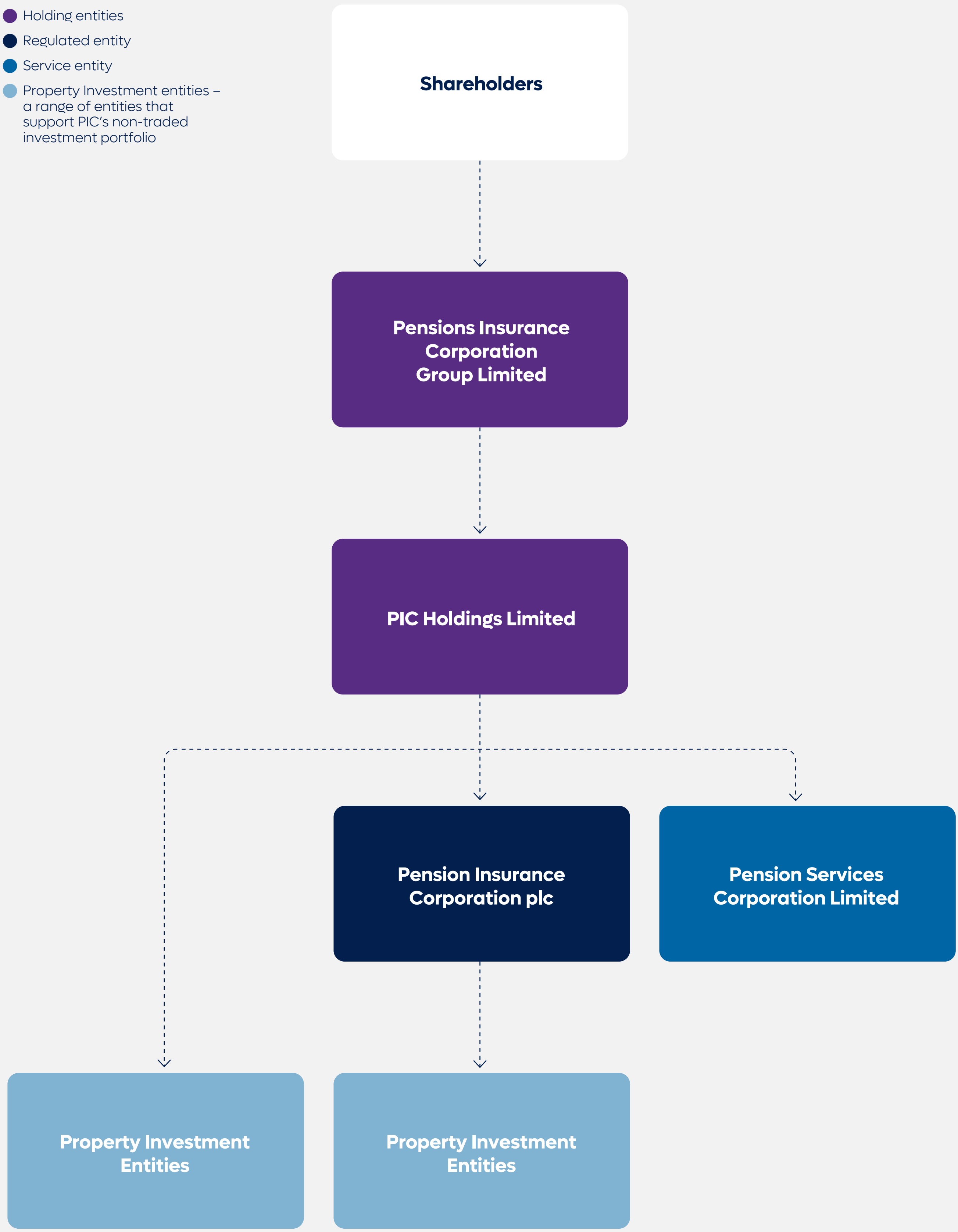
Wilhelm has a strong background in the financial services sector in South Africa and overseas along with experience in investment strategy.

Current external roles

Wilhelm serves on the boards of various Reinet and investee entities.

Corporate Governance report

Simplified PICG Group structure



Corporate Governance report (continued)

Application of the UK Corporate Governance Code

The Board is committed to high standards of corporate governance across the Group and it supports the principles laid down in the 2018 UK Corporate Governance Code (the "Code") which is available at the Financial Reporting Council's website www.frc.org.uk. During the financial year ended 31 December 2024, the Group applied all of the principles of the Code, and the table to the right signposts where key content can be found in this report to demonstrate how we have applied the principles of the Code. The Board is cognisant of the changes to the Code and it will report how it has applied the 2024 UK Corporate Governance Code in its Annual Report for the year ended 31 December 2025.

The Board remains committed to open and transparent reporting; however, as the Group is a private company, it does not apply a number of the provisions of the Code because they are not relevant in the context of the Group's business. We explain throughout this report and below where we do not apply certain provisions of the Code and why these are not applicable to the Group. The Board is supportive of good governance practices and it will continue to work towards fully applying all the provisions of the Code, where applicable.

Code provisions that the Group does not apply

Provision 18 – all directors should be subject to annual re-election. The board should set out in the papers accompanying the resolutions to elect each director the specific reasons why their contribution is, and continues to be, important to the company's long term success.

Explanation – the Company's Directors are not subject to annual re-election. Major shareholders of the Group nominate Directors for appointment to the Board and can raise any issues directly with the Chairman.

Provision 32 – the board should establish a remuneration committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies, two. In addition, the chair of the board can only be a member if they were independent on appointment and cannot chair the committee. Before appointment as chair of the remuneration committee, the appointee should have served on a remuneration committee for at least 12 months.

Explanation – the Remuneration Committee comprises six NEDs: four are regarded as independent and the remaining two are shareholder nominated Directors. The Chair of the Remuneration Committee is independent and meets the relevant requirements. The shareholder nominated Directors represent shareholder views in remuneration discussions and, together with the independent NEDs, they monitor and safeguard the sustainable growth of the Group through remuneration oversight and ensuring that remuneration policies do not encourage excessive risk taking.

Provision 41 – the description of the work of the remuneration committee in the annual report.

Explanation – the content of the Remuneration Committee report is tailored to requirements for private limited companies. We comply with the majority of this provision and the Group is developing further ways of engaging with the workforce on remuneration matters.

Code Principles explanation references

1. Board Leadership and Company Purpose

The role of the Board and the Company's purpose is set out in the Corporate Governance report from page 87.

A	**Effective Board**	pages 87-92
B	**Purpose, values, strategy and culture**	page 95
C	**Governance framework**	page 97
D	**Stakeholder engagement**	page 96
E	**Workforce policies and practices**	pages 50-53

2. Division of Responsibilities

The Governance and control framework provides an overview of the Board Committees in place and their responsibilities. It also summarises the authority delegated to the CEO and the Executive Committee and Management Committees.

F	**Role of Chairman**	page 98
G	**Independence**	page 101
H	**Non-Executive Director time commitments**	page 102
I	**Board support and resources**	page 98-99

3. Composition, Succession and Evaluation

Details about the composition of the Board, along with individual Director's profiles can be found on pages 87 to 92. The Nomination Committee report on pages 113 to 116 provides information on succession planning and the search process for new Directors.

J	**Appointments to the Board**	pages 101 and 114-115
K	**Board skills, experience and knowledge**	pages 87-92 and 101-102
L	**Annual Board evaluation**	pages 103-104

4. Audit, Risk and Internal Control

Our approach to risk management and the assessment of our principal risks is outlined on pages 72 to 79 and in the Directors' report on pages 125 and 126. The Audit Committee report outlines the Committee's assessment of the Company's risk and control environment and the processes and procedures in place to ensure that the Annual Report is fair, balanced and understandable.

M	**Internal and external auditors**	page 109
N	**Fair, balanced and understandable**	page 108
O	**Internal control framework and risk management**	pages 109 and 125-126

5. Remuneration

The Remuneration Committee report found on pages 117 to 121 describes the work of the Committee.

P	**Remuneration linked to purpose and values**	pages 117-121
Q	**Remuneration policy review**	pages 117-121
R	**Remuneration outcomes**	pages 117-121

Corporate Governance report (continued)

Leadership and Company purpose

Pension Insurance Corporation Group Limited ("PICG" or the "Group") and Pension Insurance Corporation plc ("PIC") are each led by a Board of Directors (the "Board") who are appointed pursuant to the relevant Articles of Association. The Group continues to benefit from a simple corporate structure, as depicted on page 93. The composition of the Boards is designed to ensure there is an overlap of Directors between the Boards, as shown in the attendance table on page 100 and that both Boards are aware of relevant matters which affect either PICG or PIC. Any mention of the Board in this report refers to the PICG Board, unless stated otherwise. The Directors have the benefit of the Group's Directors' and Officers' indemnity and insurance policy.

The current Board members, details of their experience and the date of their appointment are set out on pages 87 to 92.

The Board believes that good governance, strong values and the right culture enable the Group to do what is right for our policyholders, employees, shareholders and other stakeholders. The Board considers and applies the principles of the Code as the basis of how the Group should be governed.

Role of the Board

The role of the Board is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. The Board also plays a key role in establishing the Group's purpose, which is to pay the pensions of its current and future policyholders. In order to achieve that long-term sustainable success and fulfil the Group's purpose, the Board ensures that the Group operates within a framework of prudent and effective controls ,which enable risks to be assessed and managed. The Board also plays a key role in setting the Group's culture and monitoring how it is being embedded so that it is aligned with the Group's values and purpose. The right culture enables the delivery of the Group's strategy and business model by promoting attitudes and behaviours of high ethical standards and integrity, as set out in the Group's values. The Board sets the tone through ongoing dialogue with management and employees, and holds senior management to account where there is a misalignment of the existing culture with the Group's purpose and values.

The Board has collective responsibility for setting the Group's strategic goals and providing leadership to put them into effect through the management of the Group's business within the Group's governance framework. It does this by setting Group strategy, ensuring appropriate standards and controls, and monitoring and reviewing management's performance. Part of this process is ensuring that the right resources are in place to enable the Group to deliver on its strategic goals and to meet its obligations. This includes both financial and human resources, ensuring the right levels of capital are held and an appropriate team of people is in place to run a growing business whilst managing the risks.

In 2025, the Board will build on the work carried out to date and ensure that Directors and executive management have the relevant skills and experience to continue to provide strong direction and leadership to the Group as it continues to grow and evolve. The Board will focus on the actions arising from the internal Board performance review so that it improves its own effectiveness.

Conflicts of interest

The Board has established a procedure to deal with Directors' conflicts of interest which complies with the PICG and PIC Articles of Association and the provisions in s.175 of the Companies Act 2006. A schedule of each Director's actual or potential conflicts is compiled based on the disclosures made by the Director, and these are reviewed on an annual basis. Additionally, any conflicts or potential conflicts are considered at the beginning of each Board and Committee meeting.

Accountability

The Board, through the Audit and Risk Committees, receives reports regarding the Group's risk management and internal control systems. These reports comprise a verbal update from all Chairs of the Board Committees and are supported by the Co-ordinated Assurance Report and an annual attestation process. Collectively, these lead to an annual opinion and written assessment on controls, risk management, governance and culture which allow the Board to assess the effectiveness of the Group's systems of risk management and internal control. The Audit Committee facilitates the review of the Group's relationship with its auditor, on behalf of the Board, and the details are set out in the Audit Committee report on pages 107 to 110. The Board also reviews financial and business reporting at each scheduled meeting.

Modern Slavery Act 2015

The Group has a Modern Slavery Statement, which is reviewed and approved by the PIC Board annually. The Modern Slavery Statement is available on the Group's website: www.pensioncorporation.com/about-us/modern-slavery-statement.

The Group fully supports the aims of the Modern Slavery Act 2015 and seeks to ensure that modern slavery and human trafficking do not feature in any part of its business or supply chains. The Group is committed to protecting the human rights of its employees and contractors and it has a zero-tolerance approach to any form of slavery and human trafficking within the Group or its suppliers, and acts responsibly and ethically in business relationships to ensure human trafficking and slavery do not appear anywhere in its business operations.

While not having a specific human rights policy, the Group has a range of policies on Anti-Bribery and Anti-Fraud, Whistleblowing ("Speak Up") which are well embedded across the Group. The Board and senior management know that modern slavery is a growing global issue which is why PIC remains fully committed to protect against modern slavery in its business, supply chain and within the investment process.

There were no instances of modern slavery reported during the year. The Group continued to manage its suppliers through a third party management process and the implementation of internal policies. The Group expects the same high standards from all of its contractors, suppliers and other business partners. PIC undertakes ongoing due diligence to identify potential risk areas in its supply chains and ways to mitigate the risks. Modern slavery and other human rights issues are also considered as part of PIC's investment process.

Corporate Governance report (continued)

Anti-bribery and anti-corruption

The Group operates an Anti-Bribery and Anti-Corruption Policy, in line with the Bribery Act 2010. The Group will not tolerate any form of bribery by, or of, its employees, agents or consultants or any person or body acting on its behalf, and no such incidents occurred in the financial year ended 31 December 2024. Senior management are committed to implementing effective measures to prevent, monitor and eliminate bribery. The policy covers:

- the main areas of liability under the Bribery Act 2010;
- the responsibilities of employees and associated persons acting for, or on behalf of, the Group; and
- the consequences of any breaches of the policy.

Whistleblowing arrangements

The Group has a policy which enables and encourages employees to report in confidence any possible improprieties in either financial reporting or other matters. The Chair of the Audit Committee is PIC's Whistleblowing Champion and he guards the independence, autonomy and effectiveness of the Group's policies and procedures on whistleblowing.

Remuneration

Details of the Directors' remuneration and the work of the Remuneration Committee can be found on pages 117 to 121.

Culture and the Board

Having a high performance, collaborative culture helps PIC achieve its purpose and strategic objectives. PIC's focus on its culture means that we value our stakeholders and work hard to provide exceptional service to them all, including policyholders, trustees, long-term investment partners, colleagues, and our other stakeholders. Our culture, underpinned by our values - resilient, adaptable, and loyal - encourages diverse perspectives and a leadership mentality amongst our talented employees.

PIC has made progress in a number of areas regarding its culture, following presentations to the Boards in March, June, September and November this year, and to address specific Risk and Internal Audit actions. The Executive Committee and the Board have reviewed the existing culture statement and minor changes to the culture statement were approved by the Board in November.

Over the last 18 months, there have been a range of activities to further embed PIC's culture and these have included our "Typically Us" staff events, employee engagement surveys, and greater empowerment across the business. Workshops were held with the Executive Committee to review different aspects of PIC's culture.

Culture is a standing Board agenda item twice a year, and the Board recognises the importance of maintaining and evolving our culture as it influences our ability to achieve good outcomes. This becomes even more important given the amount of operational change within the business, including our move to 22 Ropemaker Street as PIC moves away from a more traditional office environment to a more hybrid model and workspace.

The Board has challenged management about whether it is doing enough to shift the culture at PIC, and development of a culture dashboard with metrics is underway.

Read more in our People and Culture section on page 50.

Stakeholders and the Board

The Group's formal s.172 statement can be found on pages 44 to 49 of this Annual Report. Pages 40 to 43 of the Strategic Report also set out who our stakeholders are, how we have engaged with them as a business, and how stakeholder needs are at the core of our decision making.

PIC's purpose is to pay the pensions of its current and future policyholders, and this is through best-in-class customer service, comprehensive risk management and excellence in asset and liability management. The Board recognises that the needs and relevance of different groups of stakeholders can vary over time and, when making decisions, the Board has regard to the needs and priorities of each of its stakeholders, as well as its broader duties under s.172 of the Companies Act 2006. This can only be achieved through engagement with, and consideration of, all stakeholders, including our suppliers, employees, policyholders, shareholders and debt holders, trustees, investment counterparties and regulators.

Division of responsibilities

The Board is able to deliver its strategy through the strong governance framework that PIC has in place and, in doing so, provides strong, sustainable financial and operational performance for our shareholders and wider stakeholders.

Matters reserved for the Board

The Board maintains a formal schedule of matters specifically reserved for its decision, to ensure there is a clear division of responsibilities between the Board and executive management, which is reviewed on an annual basis.

These reserved matters include the Group's strategic aims; objectives and commercial strategy; governance and regulatory compliance; structure and capital; financial reporting and controls; internal controls and risk management; major capital commitments; major contracts and agreements; shareholder engagement; remuneration of the Board and senior executives; material corporate transactions; and any changes to the schedule of reserved matters.

The schedule of reserved matters ensures that decisions are made at the right level and that stakeholder impacts are a fundamental part of the decision-making process. The Board is supported in its work by six Board Committees, whose responsibilities are delegated by the Board. The reports from the Audit, Investment and Origination, Nomination, Remuneration and Risk Committees are described on pages 107 to 123.

Corporate Governance report (continued)

Governance and control framework

Our Board and Committee framework supports the development of the highest standards of governance practices across the Group, which is integral to the successful delivery of our strategy. The below shows the Group's governance structure. The structure is reviewed as part of the annual review of the governance processes; this is to make sure that it is fit for purpose and remains as such, in the context of the Group's growth prospects.

The membership of the Committees is carefully determined by the Board on recommendation from the Nomination Committee to ensure there are the right skills, experience and knowledge on each Committee and that there are also cross-Committee memberships. This approach facilitates appropriate oversight of the entire business and ensures a good information flow between the Committees.

Board

The role of the Board is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. The Board also plays a key role in establishing the Group's purpose, which is to pay the pensions of its current and future policyholders. Matters reserved for the Board are described on page 96.

Audit Committee

Assists the Board in its oversight of the financial reporting process, the internal and external audit process, the system of internal controls, and compliance with law and regulations.

Customer Committee

Assists the Board with oversight and advice in relation to the implementation, prioritisation, delivery and embedding of the new Consumer Duty requirements in PIC's processes and business activities.

Investment & Origination Committee

Assists the Board with oversight of the investment policy and strategy, operation of PIC's investment portfolio and origination of new business and reinsurance.

Nomination Committee

Assists the Board with a review of the Board composition and succession planning for the Board and executive management.

Remuneration Committee

Recommends to the Board the framework and broad policy for the remuneration of the Company's Chair, Non-Executive Directors, Executive Directors and other members of the executive management.

Risk Committee

Assists and advises the Board in relation to the current and potential risk exposure and future risk strategy and risk appetite. Responsible for the overall monitoring of the effectiveness of the Risk Management Framework including oversight of the Internal Model.

Chief Executive Officer

Under authority delegated from the Board, responsible for management of the Group.

Executive Committee

Assists the Chief Executive Officer in the overall management of the Group. Proposes strategy and business plan to the Board and ensures there are sufficient resources to deliver those. Implements the Board-approved strategy, operational plans, policies, procedures and budgets. Ensures the Group has appropriate systems and controls in place. Monitors operating and financial performance of the Group.

Management and Operating Committees

Specialist committees assisting the executive management in discharging their responsibilities.

Corporate Governance report (continued)

The responsibilities of the Directors and the Company Secretary are set out below:

Non-Executive Directors

Chairman

David Weymouth

David is responsible for the leadership and effectiveness of the Board. He also leads on the development of culture by the Board as well as the development and monitoring of the effective implementation of policies and procedures for the succession planning, induction, training and development of Directors, as well as evaluating their performance. Together with the CEO and Company Secretary, he sets the agenda for Board meetings, and he facilitates open and constructive dialogue during those meetings. David also plays an important role in ensuring the Group maintains effective communication with shareholders and other stakeholders.

Senior Independent Director (“SID”)

Roger Marshall (until 31 December 2024) and Tracey Graham (from 2 January 2025)

The SID acts as a sounding board for the Chairman and is a trusted intermediary for the other Directors and shareholders. The SID is also available if the other Directors and shareholders have concerns, which contact through the normal channels of Chairman, CEO or CFO, has failed to resolve, or for which such contact is inappropriate. Roger, in his capacity as SID, met with the NEDs at least once a year to appraise the Chairman’s performance and on such other occasions as were deemed appropriate.

Non-Executive Directors

Jake Blair, Sally Bridgeland, Judith Eden, Tim Gallico, Julia Goh, Stuart King, Arno Kitts, Josua Malherbe, Andy Moss, Jérôme Mourgue D’Algue, Martin Pike (from 1 January 2025), Peter Rutland, and Wilhelm Van Zyl

Along with the Chairman and Executive Directors, the NEDs are responsible for ensuring the Board and its Committees fulfil their responsibilities. The NEDs combine broad business and commercial experience, in particular in the financial services and insurance sectors, with independent and objective judgement as well as providing independent challenge to the Executive Directors. The balance between the NEDs and Executive Directors enables the Board to provide clear and effective leadership across the Group.

Arno Kitts has the additional responsibility of Sustainability Champion and Stuart King has the additional responsibility of Consumer Duty Champion. Andy Moss is the Whistleblowing Champion, he guards the independence, autonomy and effectiveness of the Group’s policies and procedures on whistleblowing.

Executive Directors

Chief Executive Officer (“CEO”)

Tracy Blackwell CBE

Tracy leads the executives in the day-to-day management of the business and effective implementation of the Board’s decisions. Tracy is supported by a strong and experienced Executive Committee, and together with her leadership team, Tracy proposes and develops the Group’s strategy and overall commercial objectives having regard to the Group’s responsibilities to its shareholders, customers, employees and other stakeholders. Tracy consults regularly with the Chairman and the Board on matters which may have a material impact on the Group. She is responsible for the Group’s performance of its obligations, adoption of the culture set by the Board, and outsourcing arrangements.

Chief Financial Officer (“CFO”)

Dom Veney

Dom is responsible for the financial and actuarial matters of the Group, including management, allocation and maintenance of capital, funding and liquidity. He also manages and oversees the production and integrity of the Group’s financial information and its regulatory reporting.

Company Secretary

Louise Inward (until 16 December 2024) and Martin Griffiths from 16 December 2024

The Company Secretary, through the Chairman, is responsible for advising the Board on all governance matters, and ensuring the Board has the right procedures, policies, processes and resources it needs to function effectively. The Company Secretary makes sure there is a good information flow between the Board, its Committees, senior management and the NEDs.

Corporate Governance report (continued)

Delegation of responsibilities

The Board has delegated certain aspects of its responsibilities to its six Board Committees to assist in providing effective oversight and leadership:

- the Audit Committee;
- the Customer Committee;
- the Investment and Origination Committee;
- the Nomination Committee;
- the Remuneration Committee; and
- the Risk Committee.

The terms of reference for each of its Committees have been approved by the Board and are reviewed annually.

The reports for the Audit, Investment and Origination, Nomination, Remuneration and Risk Committees are set out on pages 107 to 123.

The Investment and Origination Committee and the Customer Committee consider matters specific to PIC. The four remaining Committees consider matters concerning both PICG and PIC, as per the delegations in their terms of reference. Members of the Committees are appointed by the Board on the recommendation of the Nomination Committee, in consultation with the Committee Chairs.

In addition to the Board Committees, there are also a number of management and operating committees that assist senior management with business management and oversight of the Group in relation to: the day-to-day management of the business; investment matters; Risk Management Frameworks and input into the development of the risk strategy; projects and major change initiatives to maximise PIC's project investment return; and all new business deals and interaction with policyholders, including Consumer Duty and overall conduct.

Cross-Committee membership

As shown on page 100 the Committee membership is constituted in a way that ensures that there is cross-Committee membership, which allows items of importance to be managed between Committees in a coordinated and efficient manner. This complements the Committee briefings that the Board receives following each Committee meeting.

Board and Committee meetings

The Board meets formally on a regular basis and it also attends to various matters by way of written resolutions. There is also regular communication and interaction with management, including monthly updates. Prior to each meeting, the Chairman and Company Secretary ensure that the Directors receive accurate, clear and timely information, to facilitate focused, robust and informed discussions and to aid the decision-making process.

Board meetings follow a clear agenda that is agreed in advance by the Chairman, in conjunction with the CEO and Company Secretary. At each meeting, the Board receives updates from the CEO and CFO, as well as from other members of senior management. These reports cover how the Group is executing the business plan, policyholder administration, including details of how we meet our obligations to policyholders, the new business pipeline and associated investments, and Risk function's review of current and emerging risks. The Chairs of each Board Committee also report to the Board on the recent activities of each Committee. The Board has regular dialogue with senior management outside of formal meetings and, in addition to regular matters, the Board and Committees also discuss other topics that require their attention.

Corporate Governance report (continued)

Attendance by Directors at Board and Committee meetings

In 2024, there were six scheduled PICG and PIC Board meetings and a PICG and PIC Strategy meeting. There were five ad hoc meetings.

The table below shows the attendance by Directors of both the PICG and PIC Boards, as well as the Board Committees, for all scheduled meetings. The Executive Directors and the Chairman also attended the scheduled Board Committee meetings.

Director	PICG Board	PIC Board	Audit Committee	Customer Committee	Investment and Origination Committee	Nomination Committee	Remuneration Committee	Risk Committee
David Weymouth	6 6	6 6	-	-	3 4	5 5	6 6	-
Tracy Blackwell CBE	6 6	6 6	-	-	-	-	-	-
Dom Veney	-	6 6	-	-	-	-	-	-
Jake Blair	6 6	6 6	-	-	4 4	-	-	-
Sally Bridgeland	-	5 6	4 5	-	-	-	-	5 5
Judith Eden	6 6	6 6	-	4 4	-	4 5	6 6	5 5
Tim Gallico	6 6	-	-	-	-	-	-	-
Julia Goh	6 6	6 6	-	4 4	4 4	-	-	-
Stuart King	6 6	6 6	5 5	3 4	-	-	6 6	5 5
Arno Kitts	6 6	6 6	-	-	4 4	5 5	-	5 5
Josua Malherbe	6 6	-	-	-	-	4 5	5 6	-
Roger Marshall[1]	6 6	6 6	3 3	-	-	-	-	5 5
Andy Moss	6 6	6 6	5 5	-	-	-	6 6	3 3
Jérôme Mourgue D'Algue	6 6	6 6	-	-	3 4	3 5	-	-
Peter Rutland	-	5 6	-	-	4 4	-	5 6	-
Wilhelm Van Zyl	6 6	6 6	-	-	4 4	-	-	5 5

1. Roger Marshall stepped down from the PICG and PIC Boards on 31 December 2024.

Key

● Meetings attended ● Scheduled meetings

Corporate Governance report (continued)

Board composition, succession and evaluation

Board composition

The independence of the NEDs is reviewed annually by the Nomination Committee in accordance with the criteria set out within the Code. The Nomination Committee regularly reviews the size, structure and composition of the Board and its Committees, and makes appropriate recommendations to the Board. The Board is structured to provide the Group with an appropriate balance of skills, experience, knowledge and independence to enable it to discharge its duties and responsibilities effectively. Given the nature of the Group's business, insurance, actuarial, accounting and financial services sector experience is clearly of benefit, and this is reflected in the composition of the Board and its Committees.

As at 31 December 2024, the PICG Board had 13 Directors; seven of whom were independent Non-Executive Directors ("INEDs"), including the Chairman, and five, nominated by major shareholders. On 31 December 2024, Roger Marshall stepped down as a Director, and Tracey Graham was appointed on 1 January 2025.

As at 31 December 2024, the PIC Board had 14 Directors, eight of whom were INEDs, including the Chairman, and four of whom were nominated by major shareholders. Roger Marshall stepped down on 31 December 2024. On 1 January 2025, Tracey Graham and Martin Pike were appointed to the PIC Board, so as of 1 January 2025, the PIC Board had 15 Directors, nine of whom are INEDs, including the Chairman, and four of whom remain nominated by major shareholders.

During the year, the Chairman and the NEDs met without the Executive Directors, and the NEDs met without the Chairman present. The Board increased its diversity in terms of gender following Tracey Graham's appointment, and it continues to meet the targets it has set in the Board Diversity Policy. The Board is aware of best practice initiatives regarding the percentage of women on the Board in the FTSE350 and the industry more generally. The Board will continue to take steps where possible to increase its diversity.

Board independence

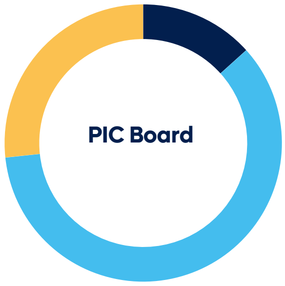
The independence of the NEDs is reviewed annually by the Nomination Committee in accordance with the criteria set out within the Code.

Jake Blair, Jérôme Mourgue D'Algue, Tim Gallico, Josua Malherbe, Peter Rutland and Wilhelm Van Zyl are not considered independent because they are nominated by major shareholders of the Group.

For the financial year ended 31 December 2024, the PICG and PIC Boards are satisfied that they met the requirement under the Code, for at least half of the Board (excluding the Chair) to comprise independent NEDs.

Composition and independence

As at 31 December 2024



PIC Board		PICG Board	
Executive	2	Executive	1
Independent Non-Executive	8	Independent Non-executive	7
Non-Executive	4	Non-Executive	5

Board diversity and skills and succession planning

The Board believes that its success is rooted in the diverse nature of the environment in which it operates and is dependent on the Group's ability to leverage differences, collective experiences, variety of backgrounds, talents, skills and knowledge.

The Board places great emphasis on ensuring that its membership reflects diversity in its broadest sense, as this is crucial to provide a range of perspectives, insights and challenge that are needed to support good decision making and successful delivery of the Group's business strategy. The Board's belief in having a suitably diverse membership is in line with the Board Diversity Policy, which is reviewed by the Board annually.

The Nomination Committee supports the Board by reviewing and considering the diversity of the Board as part of the annual Board performance review and ongoing succession planning when recommending the appointment of new Board members. The review of Board diversity takes into account the challenges and opportunities facing the Group, the balance of skills, knowledge, experience and diversity of the Board, as well as time commitments needed on the Board in the future.

Further information about the work of the Nomination Committee for non-executive and executive succession planning is included in the Nomination Committee report on pages 113 to 116.

Corporate Governance report (continued)

Time commitments

As part of the appointment process and their annual review, each NED confirms that they are able to allocate sufficient time to the Group to discharge their responsibilities effectively. The external commitments of the Chairman and the other Directors are stated in their profiles on pages 87 to 92, and the Company Secretary maintains a record of all external appointments held by the Directors. In addition, the Directors are required to consult with the Chairman as early as possible on any new external appointment. The Board is satisfied that the Chairman and all the NEDs are able to allocate sufficient time to enable them to discharge their duties and responsibilities effectively.

Induction

Following appointment, all Board members receive a tailored induction programme, which is monitored by the Chairman and is the responsibility of the Company Secretary. The programme is bespoke and takes into account the new Director's qualifications and experience. It includes presentations, briefings, and meetings with Board members, senior management and external advisers. Specific training that has been identified during the induction process is then provided to new Directors to enable them to properly challenge the Executive Directors and senior management.

Further detail about the induction process for Tracey Graham and Martin Pike can be found in the Nomination Committee report on pages 113 to 116.

Development and ongoing training

The ongoing professional development of the Directors is regularly reviewed by the Board and its Committees. The Chairman reviews and agrees training and development needs with each of the Directors annually. Directors also have the opportunity to highlight specific areas where they feel their skills or knowledge would benefit from development as part of the Board performance review process and are encouraged to continue their own professional development through attendance at seminars and conferences.

It is important that the Board remains aware of upcoming developments and the Directors refresh their skills and knowledge so they can continue to contribute to technical discussions and provide effective challenge. The Directors complete mandatory compliance training on an annual basis and also attend training sessions, which are typically at each round of Board and Committee meetings. Directors confirm annually that they have received sufficient training to fulfil their duties.

Ongoing learning of the Board

February 2024 (Board)
Sustainability reporting, presented by Deloitte

February 2024 (Ri)
ORSA Report training session

March 2024 (Board)
Solvency II reforms, presented by EY

September 2024 (Board)
Sustainability including link to remuneration training, presented by Deloitte

September 2024 (Board)
Solvency II training

September 2024 (Board)
Regulatory issues in Technology Projects, presented by Slaughter and May

November 2024 (Board)
Senior Managers & Certification Regime (SMCR), presented by CMS

November 2024 (A, Ri)
Solvency II Matching Adjustment Attestation Methodology training

Key
Board | A Audit Committee | Ri Risk Committee

Corporate Governance report (continued)

Board performance review

The Board conducts an annual review of its performance and its effectiveness in order to identify areas for development. Every three years, the performance review is conducted by an external consultant. The last external Board performance review was completed in 2023 by Independent Audit Limited; therefore in 2024 the Board performance review was carried out internally.

The internal performance review is implemented by way of a survey, which in 2024 covered five areas of consideration: 1. Board Meetings; 2. Composition and succession; 3. Responsibilities, strategy, culture and engagement with stakeholders; 4. Training and development; and 5. Effectiveness of the Chair.

The Board and standing attendees were asked to answer 34 questions, using the scale: 1. Strongly Disagree; 2. Disagree; 3. Agree; and 4. Strongly Agree.

The Committees used the same method but with fewer questions tailored to their activities. In addition to using the scale, each section offered Directors and standing attendees an opportunity to provide additional "free-text" commentary on any other issues.

1

Step one

Planning the review

The Corporate Secretariat proposes the content of the survey under the headings of: 1. Board Meetings; 2. Composition and succession; 3. Responsibilities, strategy, culture and engagement with stakeholders; 4. Training and development; and 5. Effectiveness of the Chair.

2

Step two

Sharing the survey and reporting on the findings

Following review of the Board and Committee surveys by the Chairman, the surveys are circulated by the Corporate Secretariat to the Directors, members of the Committees and regular standing attendees for completion.

The results are collated by the Corporate Secretariat who analyse the key themes and propose actions and recommendations. The results are shared with the Chairman of the Board and the Chair of each Committee.

3

Step three

Evaluation of the findings at Board level

The Nomination Committee considers the results and recommends the proposed actions to the Boards. The Boards discuss the outcomes of the performance review and agree the proposed actions.

4

Step four

Oversight of progress

Work begins on the proposed actions. Regular updates on the progress of actions will be presented to the Board.

Key observations from the 2024 internal Board performance review

The following strengths and areas for development were identified in the 2024 performance review:

Strengths

- The Board meets sufficiently regularly.
- The Board continued to be effective.
- The training sessions are useful to the Directors.
- The Chair is effective in his role.
- The Committees are operating effectively.

Areas for development

- Board reports - continue to improve the quality and consistency of Board reporting.
- Culture – continue to spend time on the cultural aspects of the business.
- Board agendas – continue to consider the structuring of Board and Committee agendas to ensure that sufficient time is given to topics requiring more debate and discussion.
- Sustainability and ESG – further consideration to be given as to how the Board and its Committees consider sustainability and ESG matters that fall within their remit.

Corporate Governance report (continued)

2023 performance review recommendation	Progress made in 2024
Board agendas	
Notwithstanding the well-structured agenda, consideration should be given to: • refocusing the agenda so that topics requiring more debate and discussion are scheduled earlier on the Board agenda to ensure sufficient time for debates; and • allocating more time on the agenda to discuss strategic matters and operational change initiatives.	Board and Committee agendas have been refocused to ensure that matters requiring debate and discussion are given sufficient time at the meetings. Corporate Secretariat will continue to work with the Chairman of the Board and the Committees and executives when preparing the agendas to ensure that appropriate time is allocated to allow for appropriate discussion and debate.
Board reports	
Notwithstanding the quality of Board reporting, there was an opportunity to improve executive summaries, shorten the length of reports where possible and articulate the "ask" within Board reports to facilitate focused Board decisions.	A new Board and Committee reporting template was introduced for meetings during 2024 and Corporate Secretariat will continue to look for ways to improve the quality and consistency of Board reporting.
Coordination between Committees	
Consideration should be given to increase the efficiency of meetings by reducing duplication of topics at the Committee level.	Meetings between the Chairs of each Committee and the Chairman of the Board were introduced to facilitate the discussion of content for draft Board and Committee agendas as part of the agenda setting process.
Culture	
There was opportunity to further develop the Board's oversight of culture.	PIC refreshed its values in 2023. The Chief People Officer ("CPO") attended numerous Board and Board Committee meetings throughout 2024 to discuss culture and an updated culture statement was approved by the Board. The Executive team and CPO will continue to consider PIC's culture and assess how it is managed and monitored and will continue to discuss its development with the Board and the Remuneration Committee.

Board activities at a glance

In numbers

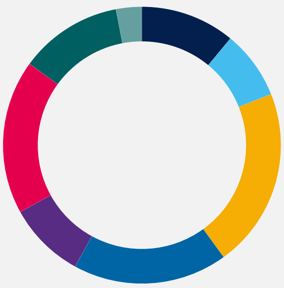
12
Total Board meetings
(includes 6 scheduled meetings, the Board Strategy session and 5 ad hoc meetings)

43
Total Committee meetings
(includes 29 scheduled meetings and 14 ad hoc meetings)

5
Ad hoc Board meetings

14
Ad hoc Committee meetings

How the Board is spending its time during the year



Financial matters	12%
Governance	6%
Investment & Origination	25%
Strategy & Sustainability	19%
People matters	10%
Risk & Regulatory	14%
Operations	13%
Other	1%

Key decisions made by the Board and events during 2024

2024

8 February
- Approved the appointment of a new critical outsourced administrator.

26 March
- Approved the PIC and PICG Statutory Accounts for 2023.
- Approved the Sustainability Report for 2023.
- Approved the PIC and PICG Business Plan.
- Approved the PIC and PICG 2023 Own Risk and Solvency Assessment Report.
- Approved the final dividend to shareholders of 11.0 pence per share.
- Approved the change of registered office for PIC and its subsidiaries.

30 April
- Approved the launch of the 2024 Save As You Earn ("SAYE") scheme.
- Approved the issuance of notes under the Company's medium-term note programme.

22 May
- On recommendation from the Audit Committee, approved the appointment of PwC as the Company's auditors from 1 January 2026.

13 June
- On recommendation from the Remuneration Committee, approved the amended Long Term Incentive Plan rules.
- On recommendation from the Customer Committee, approved PIC's Consumer Duty Board Report.
- Approved the updated Business Strategy and Risk Appetite document.

29 July
- Approved the appointment of a critical supplier for the Investment Platform Programme ("IPP").

11 September
- Approved the PIC and PICG 2024 Half Year reports.
- Approved the interim dividend of 11.0 pence per share and a special dividend of 8.0 pence per share to shareholders.
- On recommendation from the Nomination Committee, approved i) the appointment of Tracey Graham as INED of the PIC and PICG Boards from 1 January 2025 and SID from 2 January 2025 and ii) the appointment of Martin Pike as INED of the PIC Board from 1 January 2025.

26 September
- On recommendation from the Remuneration Committee, approved the Remuneration Policy.
- On recommendation from the Investment and Origination Committee, approved the Sustainable Assets Framework.
- Approved the proposal to update the calculation methodology for the Medium-Term Cash Coverage Ratio.

28 October
- On recommendation from the Nomination Committee, approved i) the appointment of the new General Counsel and Company Secretary and ii) the Chief Risk Officer ("CRO") as Chief Compliance Officer and Money Laundering Reporting Officer, SMF16 and SMF17, effective from 1 January 2025.

28 November
- Approved the Expense Budget.
- Approved the Co-ordinated Assurance Plan.
- Approved the Recovery and Resolution Plan and Recovery and Resolution Playbook.

31 December
- Roger Marshall steps down as a Director from the PICG and PIC Boards.

2025

1 January
- Tracey Graham joins the PICG and PIC Boards as an INED and SID.
- Martin Pike joins the PIC Board as an INED.

Board activities

Each year the Board approves an annual Board calendar of matters which it considers important to oversee, debate and review. The Board, in its considerations, took into account its obligations arising from s.172 of the Companies Act 2006 as outlined on pages 44 to 49.

Routine matters considered in the Board calendar

Strategy

- Approval of the 2024 Business Plan.
- The Group's strategy and further opportunities for growth.
- New business transactions above a defined threshold, requiring Board approval.
- Continued to discuss the Group's culture in the context of the resources and activities required to ensure the success of the Group's strategy over a five-year period and reviewed and approved the updated Culture Statement.
- The IPP business case and approval of the continuation of the discovery work and the implementation of phase 1.
- Regular updates on sustainability and sustainability reporting.
- Regular updates on the investment data projects and initiatives.

Customers/Policyholders

- Approval of PIC's 2024 Operational Resilience Self-Assessment including Important Business Services and Impact Tolerances in respect of PRA PS6/21 and FCA PS21/3.
- Monitoring of the various customer initiatives into an overarching Customer Programme which covers: the new Consumer Duty, policyholder communications and vulnerable customers.
- Closely overseeing PIC's operations with a particular focus on outsourced administration services to ensure excellent service is provided to PIC's policyholders.

Risk management and Internal Model

- Overseeing PIC's portfolio and receiving regular updates on the origination of assets.
- Approval of the 2023 PIC and PICG Own Risk and Solvency Assessment.
- Review and approval of the risk appetite preferences, statements and metrics.
- Review and approval of the risk taxonomy.
- Reports on the progress of regulatory stress and scenario testing to ensure the business remained resilient and robust in challenging times and there was no adverse impact on policyholders, employees and stakeholders.
- An annual report on the Internal Model validation and reviewed and approved the Internal Model Policy.
- Review and approval of the response to the PRA's Dear CEO letter on funded reinsurance.
- Approval of the updated Recovery and Resolution Plan and Recovery and Resolution Playbook.

Employees and remuneration

- Collaboration with the Nomination Committee on executive succession and approval of the appointment of the new General Counsel and Company Secretary.
- Approval of the appointment of the CRO as Chief Compliance Officer and Money Laundering Reporting Officer ("MLRO"), SMF16 and SMF17.
- Approval of the annual bonus and Long Term Incentive Plan ("LTIP") scorecards, metrics and ranges.
- Regular updates from the CEO and CPO on resourcing and wellbeing of staff, and evolving working arrangements.
- Approval of the launch of the Group's share schemes for the year as an important way for the Group to engage with its employees.
- The Board discussed the results of the employee engagement survey and what their significance is for the Group's culture and strategy, as well as future ways of working.
- Approval of annual remuneration parameters and NED and senior management remuneration, taking into account all stakeholders' interests and business priorities

Financial reporting and controls

- Approval of the PIC and PICG Annual Report and Accounts.
- Monitoring of the Group's continued progress in respect of the implementation of IFRS 17 including the first full reporting under IFRS 17 in the 2023 Half Year accounts.
- Reviewing the Group's performance reports.
- Review and approval of the Co-ordinated Assurance Plan and noted updates against the plan in reports from the Audit Committee.
- Review of the Whistleblowing Report.
- Approval of the Modern Slavery Statement.
- Review of the Annual Opinion from the Chief Internal Audit Officer on the effectiveness of the Group controls, risk management and governance processes, and culture.

Corporate governance

- With assistance from the Nomination Committee, the Board undertook a search for a new SID and INED, and approving the appointments of Tracey Graham and Martin Pike.
- Review of the composition of the Board and its Committees and approval of changes to the composition of the Committees in 2025.
- Approval of the Board Diversity Policy.
- Approval of the updated Board and Board Committee terms of reference.
- Monitoring of any governance actions which had arisen from the 2023 Board performance review.
- The results from the 2024 internal Board performance review as disclosed in this report.

Audit Committee report

Committee role and membership

The Audit Committee (the "Committee") is responsible for oversight of financial and sustainability reporting, the effectiveness of internal controls, risk management systems and processes as well as compliance matters. The Committee reviews and challenges the consistency of accounting policies, valuation assumptions and methodologies used for transactions as well as the information presented within the financial statements and Task Force on Climate-Related Disclosures ("TCFD") report. The Committee is also responsible for overseeing the effectiveness of internal controls and the Risk Management Framework and reviews whether management has discharged its duty to maintain effective systems, processes, and controls.

Pursuant to the Code, the Committee comprises three INEDs. The Board is satisfied that all Committee members are independent and possess recent and relevant financial experience and expertise across various industries. Other regular attendees at Committee meetings during 2024 included: Chairman of the Board, CEO, CFO, CRO, Chief Actuary, Actuarial Function Holder, General Counsel, Chief Internal Audit Officer and Wilhelm Van Zyl, a shareholder nominated Director.

Andy Moss was appointed as Chair of the Committee on 1 September 2024 and succeeded Roger Marshall, who stepped down on 31 August 2024.

There is an overlap of membership of the Audit Committee with the membership of the Board Risk Committee, to ensure effective coordination and oversight across those Committees.

+ More detail on the skills and experience of the Committee members can be found on **pages 87 to 92**

Meetings held in 2024		Scheduled meetings	Meetings attended
Roger Marshall (Chair – resigned 31 August 2024)	INED	3	3
Andy Moss (Chair – appointed 1 September 2024)	INED	5	5
Sally Bridgeland	INED	5	4
Stuart King	INED	5	5

* Tracey Graham and Martin Pike joined the Committee on 1 January 2025.

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

The Committee fulfils a vital role in the Group's governance framework by providing valuable independent challenge and oversight across all financial and sustainability reporting and internal control procedures. It ensures that our shareholders', policyholders' and wider stakeholders' interests are protected.

The Committee has an oversight role of climate-related reporting including the TCFD report and other sustainability disclosures. The Committee received regular updates from the Sustainability team on targets and disclosure requirements.

As part of our regular duties, the Committee oversees the relationship with and performance of the external auditor. During the year, a new lead Audit Partner from KPMG was appointed, and we continue to work closely with them to ensure the external auditor's work remains effective and improvements are made where needed. The Committee conducted a thorough audit tendering process and recommended to the PIC and PICG Boards that PwC be appointed as the external auditor with effect from 1 January 2026, meaning that KPMG will perform its final audit for the full year 2025 financial statements.

In my role as Chair, I remain committed to ensuring the Committee is effective and adjusts its deliberations in line with regulatory changes and evolving business needs.

Andy Moss
Chair of the Audit Committee

Audit Committee report (continued)

Key activities during 2024

To support the Chair to fully understand the areas of concern, the Chair met regularly on a one-to-one basis with the CEO, CFO, Chief Internal Audit Officer, the Actuarial Function Holder and the lead Audit Partner from KPMG. The Finance and Actuarial teams also provide support to the Committee by making recommendations in relation to the Group's key accounting policies, stress testing and methods and assumptions being used in the valuation of the technical provisions under Solvency II and the suggested basis for technical provisions under IFRS for PIC and the Group.

The Group continued to strengthen its non-financial controls and governance arrangements, and throughout the year the Committee approved a number of policies that fall within its remit. The Committee had oversight of the Group's Compliance, Whistleblowing Policy and procedures for detecting fraud as well as the prevention of bribery and market abuse. In addition, the Committee focused on information security, cyber security, cloud security and security patching. The Committee received oversight reviews of PIC's IT-related critical outsourcers and the status of PIC's third party and outsourcing arrangements.

During the year, the Committee spent time reviewing the Group's quarterly operating performance updates, and the half year and full year financial statements, and remained conscious of macro-economic factors impacting the Group.

The Committee received regular updates from Internal Audit and Compliance on their reviews.

The Committee reviewed and recommended to the Board the Group's assessment of going concern and viability of the business.

Standard activities during 2024

- Reviewed the 2023 PICG and PIC Annual Accounts and recommended them to the PICG and PIC Boards for approval.
- Reviewed the PICG and PIC 2024 half year reports and recommended them to the PICG and PIC Boards for approval.
- Reviewed and approved the 2023 Solvency and Financial Condition Report.
- Reviewed and approved the policy and methodology for Transitional Measures and Technical Provisions recalculation.
- Reviewed and approved the results of the actuarial valuation of PIC.
- Reviewed and approved the 2023 Market Consistent Embedded Value report.
- Reviewed the appropriateness of the Group's key accounting policies, issues and significant judgements related to the financial statements including the half year and year end valuation basis and assumptions in respect of Insurance/reinsurance contracts and valuation assumptions for unquoted investments.
- Approved the 2024 year end methodologies and assumptions.
- Reviewed the process and stress testing undertaken to support the Group's viability and going concern statements.
- Reviewed and recommended the Sustainability Report to the PICG and PIC Boards for approval.
- Reviewed and approved the TCFD Report.
- Reviewed and approved the Internal Audit Charter.
- Reviewed and approved the Internal Audit Plan.
- Reviewed and approved the 2025 annual Compliance Monitoring Plan.
- Approved the Compliance and Data Protection Office Mandate.
- Reviewed and recommended the 2025 Co-ordinated Assurance Plan to the Board for approval.
- Reviewed the MLRO report.
- Reviewed regular reporting from the Compliance function in relation to financial crime, whistleblowing and data protection.
- Received reports and updates from the Actuarial Function Holder in respect of the validation of technical provisions and year end methods and assumptions.
- Received updates from the Chief Internal Audit Officer on the Group's internal control systems and audit actions.
- Approved the Tax Strategy.
- Approved the Tax Risk Policy.
- Approved the Valuation of Actuarial Liabilities Policy.
- Approved the Financial Management Policy.

Whistleblowing

The Committee reviewed the adequacy of the Group's whistleblowing policies and procedures, ensuring that such arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action. The Committee was satisfied that these remain adequate.

Fair, balanced and understandable statements

The Committee considered, satisfied itself and recommended to the Board that the processes and procedures in place ensure that the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the shareholders and stakeholders to assess the Group's position and performance, its business model and strategy, and the business risks it faces. To make this assessment, the Committee received copies of the Annual Report and Accounts, to review during the drafting process to ensure that the key messages were aligned to the Group's position, performance and strategy, and that the narrative sections were consistent with the financial statements and tables. The Committee provided feedback and the Annual Report was amended accordingly, ahead of final approval. The Committee was satisfied that all the key events and issues reported to the Board by management had been adequately referenced or reflected within the Annual Report.

The external auditor is required to consider whether there are any material inconsistencies between information presented in different sections of the Annual Report, taking into account the external auditor's knowledge obtained during the audit and the external auditor's understanding of the legal and regulatory requirements applicable to the narrative. The external auditor presented the results of its audit work to the Committee. No material inconsistencies were identified in the audit.

Audit Committee report (continued)

Internal Audit and Co-ordinated Assurance Plan

The Committee monitors the activity, role and effectiveness of the Group's Internal Audit function and is responsible for the appointment or removal of the Chief Internal Audit Officer. The Committee meets regularly with management, the Chief Risk Officer, the General Counsel, and the Chief Internal Audit Officer to review the effectiveness of internal controls, risk management and compliance processes. This enables the Committee to have comfort that the Group's internal control systems are effective, efficient and operating as required.

An annual Co-ordinated Assurance Plan, which covers the Internal Audit Plan, the Compliance Monitoring Programme and Risk Reviews, is presented to the Committee. The Committee reviews and challenges the plan, if necessary, before recommending it to the Board for approval. The annual Co-ordinated Assurance Plan helps the Board to discharge its responsibilities in respect of oversight of the Group's systems of internal controls and risk management. At the November meeting, the Committee reviewed and recommended the 2025 Co-ordinated Assurance Plan to the Board for approval.

During 2024, the Committee continued to receive regular updates from the Chief Internal Audit Officer on all Internal Audit matters and reports and a summary of the changes to the Institute of Internal Auditors Standards. The Committee also reviewed and approved the Internal Audit Charter and the Internal Audit Plan.

The Committee also received updates on the Internal Audit function structure and skills set, and the Committee is satisfied the Internal Audit function has the relevant experience and expertise for the Group.

External auditor

The Audit Committee has the overall responsibility for overseeing the relationship, performance and fees of the external auditor, KPMG. This includes making recommendations to the Board in relation to its appointment, re-appointment and removal.

The lead Audit Partner attended all Committee meetings during 2024. The lead Audit Partner rotated during the year and the Committee has confirmed it was comfortable that the new Audit Partner is adequately skilled and experienced. The Committee has confirmed that it was satisfied that KPMG remained independent and objective throughout the year. During 2024, the Committee reviewed the external auditor's plan for the audit of the Group's financial statements, which included key areas of scope of work, key risks on the financial statements, and the proposed audit fee and terms of appointment.

Effectiveness of the external auditor

The effectiveness of our external auditor is assessed in accordance with a process agreed by the Audit Committee, which involves the completion of a questionnaire by a targeted group which has regular interactions with KPMG. The targeted group includes: the CEO, CFO, Chief Actuary, Financial Controller, and individuals from the business. The Committee was provided with a summary of responses and held a private session to discuss the results to assist with its considerations. Feedback demonstrated that KPMG was performing largely as expected. However, some areas for improvement were highlighted and discussed with the lead Audit Partner.

Tenure of the external auditor

The Committee has taken due regard of the current Audit Directive and Financial Reporting Council ("FRC") guidance in respect of audit tendering and it conducted an audit tender during H1 2024 for the rotation of auditors from 1 January 2026 as required. Following a thorough selection process, the Committee identified PwC as the preferred candidate and the Committee approved and recommended to the Board the appointment of PwC as external auditor from 1 January 2026.

Key steps in the tender process

- Review of lead partner CVs and interviews with members of the Audit Committee. Where firms have nominated more than one partner, PIC made a decision about the preferred candidate after these meetings.
- Request for Proposal issued and virtual data sharing platform opens to participating firms.
- All participating firms were given access to management and members of the Audit Committee and other key individuals within PIC as thought fit. The purpose of these meetings was for the tendering firms to gain a clear understanding of our business and requirements.
- Submission of written proposal from each participating firm.
- Each participating firm presented their proposition to the Audit Tender Selection Panel. This was the final stage of the tender process, and following these presentations, the scoring was finalised.

Audit Committee report (continued)

Principal evaluation criteria used to assess the firms

- Capability and Competence which focused on industry expertise of the participating firms.
- Audit Service which focused on a well-prepared audit plan covering areas such as communication, coordination, planning, timely delivery and continuity of key staff for subsequent years.
- Audit Approach which evaluated participating firms on their demonstration of an understanding of our business and detailed audit procedures tailored to PIC. This also included the split of onshore and offshore teams.
- Tender document and oral presentation.
- Team behaviour and professionalism.

The Audit Committee recommended a first and second choice of preferred firms to the Board in June 2024.

The Group has complied with the provisions of the Competition and Markets Authority's Order for the financial year under review in respect of audit tendering and the provision of non-audit services.

Non-audit fees

To ensure the continued independence of the external auditor, the Group has put in place a Non-Audit Services Policy, which is reviewed annually by the Committee. The policy places a 70% cap on non-audit services relative to the statutory audit fees, with any fees over £25,000 requiring approval from the Committee. The Committee is satisfied that the Group was compliant with the FRC's Ethical Standard for Auditors and the Code in relation to the scope and maximum permitted level of fees incurred for non-audit work by KPMG during the year.

Committee performance

The Committee's performance was reviewed as part of the 2024 internal Board performance review. The overall conclusion was that the Committee operates well, although it was agreed that, with effect from 1 January 2025, membership of the Committee shall increase from three members to five.

+ Further information on the Board performance review can be found on **pages 103 and 104**

Looking forward to 2025

The Committee will continue to oversee the implementation of the Solvency II changes into the Group's financial reporting processes and controls for FY24 reporting. The Committee will also focus on the changes required by the UK Corporate Governance Code 2024, some of which come into effect from 1 January 2025 and those, in respect of the Group's risk management and internal control framework, which come into effect from 1 January 2026. The Committee will be responsible for monitoring and reviewing all material controls, including operational, reporting and compliance controls.

Other disclosures

The Chair of the Committee meets periodically with the Group's regulator, the PRA.

Significant issues throughout the year were dealt with as follows:

Area of focus	Actions taken by the Committee
Valuation basis and assumptions	The Committee continued to review and approve the actuarial valuation basis assumptions for financial reporting and the methodology for YE24 reporting. The Committee had in-depth discussions about the proposed IFRS 17 discount rate changes to the IRFS 17 liquidity premium. The Committee considered the impact of the proposed changes on MCEV figures, and the discontinuation of MCEV. The Committee also reviewed and approved the results of the actuarial valuation of PIC under the Solvency II and IFRS 17 bases and the MCEV of PIC and PICG. The Committee reviewed the valuation assumptions and methodology for the end of June 2024 financial reporting. The Committee reviewed the proposed changes to PIC's Matching Adjustment calculation from the end of June 2024 to respond to Solvency II reforms. The Committee reviewed the changes in respect of IFRS liquidity premium assumptions and longevity assumptions.
Recalculation of Transitional Measures on Technical Provisions (TMTP) for YE 2023	The Committee reviewed and challenged the proposed changes to the TMTP methodology and in March 2024 it approved: i) the use of the recalculated TMTP in the 31 December Solvency II balance sheet; and ii) the written attestation from the Chairman of the Audit Committee to the PRA.
Annual written assessment of PIC Group controls, risk management, governance and culture	The Chief Internal Audit Officer presented the annual written assessment of the Group's internal controls, risk management, governance and culture. The Committee reviewed the findings and noted that the findings were broadly similar to last year and aligned to the Committee of Sponsoring Organizations (COSO) framework.
Solvency II changes	The Committee reviewed and discussed the elements of PIC's balance sheet or reporting processes that have changed or may change due to the implementation of Solvency II reforms.

Investment and Origination Committee report

Committee role and membership

The Investment and Origination Committee (the "Committee") is responsible for overseeing the management of the investment policy and investment strategy for PIC, and providing oversight of the operation of PIC's investment portfolios within the strategic and risk frameworks. It is also responsible for overseeing PIC's new business and reinsurance origination within established strategy and risk frameworks, including conduct risk. In practice, this involves reviewing proposals of investments, including new asset classes, approving entry into new transactions, and overseeing the use of both internal and external fund managers as well as the use of custodians. The Committee ensures the integration of ESG risks, including climate change, within the investment policy.

The Committee comprises seven NEDs, three of whom are regarded as independent pursuant to the Code and who the Group considers to be free of any relationship that would impact their impartiality in carrying out their responsibilities. The remaining four NEDs are shareholder nominated.

Other regular attendees at Committee meetings during 2024 included: the CEO, CFO, CRO, Chief Investment Officer, Chief Origination Officer and Co-General Counsel.

+ More detail on the skills and experience of the Committee members can be found on **pages 87 to 92**

Meetings held in 2024		Scheduled meetings	Meetings attended
Arno Kitts (Chair)	INED	4	4
Jake Blair	NED	4	3
Julia Goh	INED	4	4
Jérôme Mourgue D'Algue	NED	4	3
Peter Rutland	NED	4	4
Wilhelm Van Zyl	NED	4	4
David Weymouth	INED	4	3

I am pleased to present the Investment and Origination Committee report for the year ended 31 December 2024.

During 2024, the Committee's core duties remained unchanged and the usual activities relating to investment, new business and reinsurance origination remained in place.

Markets provided challenges during 2024, with tight credit spreads being a particular focus of the Committee alongside the outlook for economic growth in light of interest rate cuts and geopolitical uncertainty. The Committee reviewed and was updated on the progress of new investment initiatives that had taken place over the past few years and the consolidation and operational readiness of these initiatives for new business demands.

The Committee considered the contribution to the portfolio performance from both strategic asset allocation and active investments undertaken in the year. The origination pipeline throughout the year continued to grow, and the Committee provided oversight and challenge of the core value metrics for proposed projects.

Throughout the year, Committee members attended ad hoc meetings to review and discuss in detail asset strategies for larger transactions. Each transaction was scrutinised and, where applicable, the Committee approved the asset strategy for recommendation to the Board.

Arno Kitts
Chair of the Investment and Origination Committee

Investment and Origination Committee report (continued)

Key activities during 2024

The Investment and Origination teams provide the Committee with significant support to help it discharge its responsibilities. The Investment team makes recommendations regarding the Investment Policy and strategy, PIC's hedging exposure, and pricing portfolios for deals. Meanwhile, the Origination team recommends entry into new origination transactions as well as the pricing aspects.

To support its ongoing work to assess whether assets remain appropriately invested and are in the best interests of policyholders, the Committee reviewed and approved the Investment Policy and updated delegations within the Group's governance framework.

In 2024, the Committee dedicated time to consider PIC's ESG investment approach and strategy to achieve its Net Zero commitment. Further information on PIC's ESG strategy can be found on pages 54 to 62. Notably, the Committee spent time reviewing:

- PIC's ESG risk exposure of the portfolio and overseeing the progress made on embedding ESG into the day-to-day activities which are under the oversight and remit of the Committee.
- PIC's Climate Transition Plan, which sets out PIC's decarbonisation targets across multiple years within the Investment portfolio (Scope 1 and 2 emissions) and considers PIC's operational Scope 3 emissions.
- PIC's Engagement Strategy, which is a structured plan for how we engage with companies in our investment portfolio to promote positive ESG outcomes. This strategy outlines our approach to prioritising issues, identifying key areas for influence, and setting objectives for each engagement.
- PIC's Sustainable Assets Framework, which adds robustness behind our categorisation of sustainable assets within our portfolio.

Standard activities during 2024

The following items were reviewed by the Committee:

- Management Information from the Chief Investment Officer and the Chief Origination Officer
- Investment and Origination resources including people, systems and processes
- Regular updates on GBP public credit insourcing
- Credit spread widening
- Changes to pricing assumptions
- Pricing versus investment outcomes
- Responsible investing
- Portfolio performance
- Critical suppliers of Origination, Operations and Asset Managers

The following items were approved and/or recommended to the Board for approval:

- Liquidity Strategy
- Medium-Term Investment Strategy
- Non-MA Investment Strategy
- Climate Transition Plan
- Sustainable Assets Framework
- Strategic Asset Allocation Framework
- Asset strategies for larger transactions
- Investment Policy

Committee performance

The Committee's performance was reviewed as part of the 2024 internal Board performance review. The overall conclusion was that the Committee operates well.

+ Further information on the Board performance review can be found on **pages 103 and 104**

Looking forward to 2025

The Committee will continue to focus on navigating the portfolio through a potentially volatile macro-economic and geopolitical environment. It will continue to oversee PIC's new business and reinsurance origination. The Committee will continue to monitor hedging and liquidity, and focus on the development and integration of the Group's ESG capabilities and achieving its Net Zero commitment. The Committee expects to consider a number of larger new business transactions based on the current pipeline for 2025.

Nomination Committee report

Committee role and membership

The Nomination Committee (the "Committee") is responsible for keeping the size, structure and composition of the Board and its Committees under review, assisting the Board with developing robust succession plans for Board and senior executive positions, evaluating the balance of skills, knowledge, experience and diversity, and ensuring that there is a sufficient pipeline of talent to achieve the Group's strategy within its risk appetite.

The Committee leads the process for Board appointments and makes recommendations to the Board. It also works closely with the Company Secretary to ensure that arrangements are in place for a formal induction for new appointees to the Board and identifies ongoing training needs.

The Committee assists the Board with its annual performance review process, and more detail on the process can be found on pages 103 and 104.

There were no changes to the Committee membership during 2024. Tracey Graham joined the Board and the Committee at the start of 2025. The Committee comprises five NEDs, three of whom are regarded as independent pursuant to the Code and who the Group considers to be free of any relationship that would impact their impartiality in carrying out their responsibilities. The remaining two NEDs are shareholder nominated.

Other regular attendees at Committee meetings during 2024 included: the CEO, the General Counsel, the CPO, and external consultants.

+ More detail on the skills and experience of the Committee members can be found on **pages 87 to 92**

Meetings held in 2024		Scheduled meetings	Meetings attended
David Weymouth (Chair)	INED	5	5
Judith Eden	INED	5	4
Arno Kitts[1]	INED	5	5
Josua Malherbe	NED	5	4
Jérôme Mourgue D'Algue	NED	5	3

1. Arno Kitts stepped down from the Committee on 31 December 2024.

*Tracey Graham joined the Committee on 1 January 2025.

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

The Committee's main focus in 2024 was Board succession planning and the search for INEDs to fill two vacancies resulting from the retirement of Roger Marshall from the Boards at the end of December 2024 and the impending retirement of Arno Kitts at the end of June 2025. The search resulted in the appointment of Tracey Graham to the PIC and PICG Boards effective from 1 January 2025 and Martin Pike to the PIC Board also effective from 1 January 2025.

The Committee also spent time discussing executive succession planning and progress made by HR on the talent management framework and related initiatives.

As part of executive succession planning, Mitul Magudia was appointed as the Chief Origination Officer in April 2024. Additionally, during the year, the General Counsel and Company Secretary, Louise Inward, handed over her duties to her successor, Martin Griffiths. Both executive appointments were from the Group's existing talent.

Throughout the year, the Committee tended to other matters, such as assisting the Board with its annual performance review, approval of various policies, review of the Committee's terms of reference and an annual review of the Board Diversity Policy and Board diversity targets, and it recommended that these remain appropriate to the Boards.

David Weymouth
Chair of the Nomination Committee

Nomination Committee report (continued)

Key activities during 2024

Board composition, independence and tenure

As part of the 2024 internal Board performance review, the composition of the PICG and PIC Boards was reviewed. It was noted that, despite the Boards being large due to the ownership structure, there was a benefit from the wide range of skills brought by shareholder nominated Directors and INEDs.

During the year, the Committee also reviewed the independence and tenure of the INEDs. Roger Marshall was originally appointed to the Board of PIC on 1 September 2015, meaning that he has been a Director for longer than nine years. The Boards discussed whether Roger could continue to be considered independent, given that his tenure on the PIC Board extended beyond nine years and determined that notwithstanding the length of his tenure, in their view Roger remained independent based on his character and behaviours. The Board was keen that Roger remained on the Board until Tracey Graham joined and assumed the SID role.

There were no other Directors whose tenures exceeded nine years, and it was concluded that each INED remains independent and continues to make appropriate contributions to the Board.

Chairman and Non-Executive Directors' length of tenure

PICG Board
As at 31 December 2024[1]

As at 1 January 2025[2]

PIC Board

As at 31 December 2024[1]

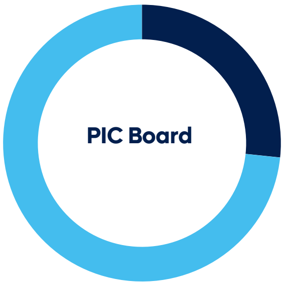
As at 1 January 2025[2,3,4]

Key

● Less than a year ● 1-3 years ● 3-5 years ● 5-9 years

1. Andy Moss was appointed to the PICG Board on 1 January 2024.
2. Roger Marshall stepped down from the PICG and PIC Boards on 31 December 2024.
3. Tracey Graham was appointed to the PIC and PICG Boards on 1 January 2025.
4. Martin Pike was appointed to the PIC Board on 1 January 2025.

Gender diversity
As at 31 December 2024



PIC Board	
Women	4 = 28.6%
Men	10 = 71.4%

PICG Board	
Women	3 = 23.1%
Men	10 = 76.9%

Board succession

During the year, the Committee focused on supporting the refresh of the Board's composition as two INEDs were approaching the end of their nine-year tenure. The initial priority of the Committee was to identify a successor to Roger Marshall, the SID and Chair of the Audit Committee, who was due to retire in August 2024. Roger handed over chairing of the Audit Committee to Andy Moss at the end of August 2024 but agreed to remain on the Board until a new SID had been appointed.

The Committee carried out an extensive search for two new INEDs and identified Tracey Graham as an appropriate candidate to take on the SID role. Tracey's appointment to the Boards became effective on 1 January 2025 and her appointment as SID was effective from 2 January 2025, following receipt of regulatory approval. Martin Pike's appointment as a Notified NED of the PIC Board became effective on 1 January 2025.

Nomination Committee report (continued)

Director succession and induction process: Tracey Graham and Martin Pike

Search

Russell Reynolds was engaged in 2023 and the search for the new SID and an INED continued into 2024.

2023

The role specifications were prepared towards the end of 2023.

Review and identify shortlist

Russell Reynolds reviewed the candidate specifications and conducted a broad market search, taking into consideration PIC's brief and critical factors.

December 2023/January 2024

Russell Reynolds presented a shortlist of candidates and several interviews were held in December 2023 and at the start of 2024.

Feedback from interviews

The Committee met to review the feedback from the interviews and references. The candidates were interviewed by Committee members, CEO, Chief Investment Officer and the NED, Wilhelm Van Zyl.

March 2024

The Committee reviewed the feedback from the interviews held in December 2023 and January 2024 and references.

The Committee decided to broaden the search and review additional candidates.

Additional candidates

Russell Reynolds and Directors discussed additional candidates.

March 2024

The Chairman met with Russell Reynolds to update the brief and requested that the search was broadened.

Further interviews

New candidates were interviewed by the Chairman of the Board, the CEO, the Chief Investment Officer and the Committee member.

June/July 2024

The Committee met to review feedback from the new shortlisted candidates.

Recommendation

The Committee reconvened to discuss the feedback following the interviews.

August 2024

The Committee selected two candidates and additional interviews were held with Board members to further assess whether the proposed candidates' skills and experience would support the dynamics of the Board and the Group's overall strategic priorities.

Appointment

The Boards meet to consider the Committee's recommendation and approve appointments.

September 2024

The Boards appointed Tracey Graham as an INED with effect from 1 January 2025 and as the new SID (subject to regulatory approval). The PIC Board appointed Martin Pike as an INED, also with effect from 1 January 2025.

Induction

The final step in the process was to provide a robust induction programme tailored to support the candidates in meeting their statutory obligations by providing a comprehensive introduction to the Group's strategic priorities, internal controls, and Risk Management Framework.

October 2024 onwards

Introductions with Executive Management and business units.

Tracey and Martin also received reading material as part of their induction and additional in-depth sessions were held on topics of particular interest to them.

Nomination Committee report (continued)

Committee composition

As part of the Board succession planning and in accordance with its terms of reference, the Committee carried out an annual review of the composition of the Board Committees. The Committee recommended to the Board to strengthen the Audit Committee's membership by adding two new members, Tracey Graham and Martin Pike, effective from 1 January 2025. It was also agreed that Jérôme Mourgue D'Algue would assume chairing of the Investment and Origination Committee in H1 2025, in advance of Arno Kitts stepping down from the Boards at the end of his nine-year tenure. Tracey Graham also joined the Customer and the Nomination Committees, effective 1 January 2025, and Martin Pike joined the Investment and Origination and the Risk Committees, also effective from 1 January 2025.

Executive succession

The Committee plays an important role in overseeing the development of a diverse pipeline of talent for succession to executive and senior management roles within the Group. This remained a key focus during the year, as it is a critical component in ensuring the long-term success and stability of PIC.

Succession planning goes beyond just leadership positions; it is a strategic process that identifies and develops individuals to become successors for critical roles across different levels within the Group, creating clearer career paths and showcasing inspiring examples of growth and progression within the Group.

The Committee was updated on progress of the various stages of talent development and succession planning and continued to monitor the available pool of talent within the Group and the development plans for potential leaders.

During the year there were two appointments from the Group's existing talent. Mitul Magudia was appointed the Chief Origination Officer in April 2024, taking over from Jay Shah, who stepped down from the role at the end of March 2024. Additionally, during the year, the General Counsel and Company Secretary, Louise Inward handed over her duties to her successor, Martin Griffiths, who joined PIC in August 2018 as Head of Legal and progressed to Deputy General Counsel in 2023. Martin Griffiths assumed the role of Company Secretary on 16 December 2024 and became the new General Counsel on 1 January 2025.

Standard activities during 2024

- Concluded its search for a new SID and approved the recommendation to the Boards for the appointment of Tracey Graham as an INED and SID.
- Approved the appointment of Martin Pike as INED on the PIC Board.
- Recommended to the Boards the extension of Directors' contracts.
- Approved the Board Diversity Policy and Board diversity targets.
- Reviewed talent and senior management succession planning.
- Reviewed and approved the Committee terms of reference and its annual planner.
- Reviewed the time commitments of the NEDs.
- Reviewed the Board's tenure and NED independence.

Committee performance

The Committee's performance was reviewed as part of the 2024 internal Board performance review. The overall conclusion was that the Committee operates well.

+ Further information on the Board performance review can be found on **pages 103 and 104**

Looking forward to 2025

Following Tracy Blackwell's decision to retire from PIC, the Committee will lead the process for securing her successor and ensuring a smooth transition. The Committee will also review the Board's composition, skills and experience to ensure it is ready for the next phases of the Group's development.

The Committee will also continue to dedicate its time and attention to overseeing the implementation of the talent and succession management project to the wider workforce.

Remuneration Committee report

Committee role and membership

The Remuneration Committee (the "Committee") oversees the establishment and implementation of a Remuneration Policy for employees and Directors. The policy is designed to support long-term business strategy and values of the Group as a whole, as well as promote effective risk management and comply with applicable legal and regulatory requirements.

The Committee also oversees other people matters, which include assisting the Board in its overall responsibility for overseeing the development, embedding and measuring of the Group's culture, monitoring the Group's diversity and inclusion initiatives, employee engagement and general capacity and capability.

To assist the Committee in fulfilling its responsibilities, it has access to a number of resources including the CPO, CRO, the HR function, Chairs of the Risk and Audit Committees, external remuneration consultants, and input from relevant subject matter experts within the Group.

The Committee is majority independent and comprises six NEDs, four of whom are regarded as independent and the remaining two are shareholder nominated Directors. There were no changes to the Committee's composition in 2024.

Other regular attendees at Committee meetings during 2024 included: the CEO, the CFO, the CPO and the Head of Compensation and Benefits.

+ More detail on the skills and experience of the Committee members can be found on **pages 87 to 92**

Meetings held in 2024		Scheduled meetings	Meetings attended
Judith Eden (Chair)	INED	6	6
Stuart King	INED	6	6
Josua Malherbe	NED	6	5
Andy Moss	INED	6	6
Peter Rutland	NED	6	5
David Weymouth	INED	6	6

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

In 2024 the Committee tended to its usual remuneration-related activities, which included a review of the Remuneration Policy and management incentive structures, monitoring progress against the remuneration and assurance scorecards.

The Committee also focused its time on other people matters and received reports from the CPO on the overall progress of initiatives supporting PIC's People Strategy to attract, engage, enable and retain. We have worked closely with the Nomination Committee on new senior appointments and succession planning and considered remuneration packages accordingly.

As in previous years, the Committee also considered the valuation of the Group for share-based incentive awards, exercise, and liquidity purposes. We obtained input from independent advisers to support our recommendations to the Board. The Company subsequently held its annual internal liquidity event.

As part of our other routine activities, we have also reviewed and approved various policies within the Committee's remit to ensure these continue to be updated for legislative and regulatory changes and remain reflective of current practices within the Group. We have considered our terms of reference and reviewed the results of the internal Board and committee performance review process.

Judith Eden
Chair of the Remuneration Committee

Remuneration Committee report (continued)

Key activities during 2024

Throughout the year and at year end, the Committee considered the achievement of individual business and risk management objectives and reviewed the Company's targets to ensure they remained relevant and appropriately stretching, and in line with the Company's strategic priorities.

In 2024, the Committee commenced its usual review of the metrics and targets earlier, to allow time for in-depth discussions and to align the views of various stakeholders. Those deliberations covered a review of the financial and non-financial metrics including weighting and targets. The Committee continued its discussion of sustainability-related objectives and how these are integrated into the framework. Additional time was dedicated to the change of management incentive metric underpinning the Long Term Incentive Plan ("LTIP") and how it would impact any in-flight LTIP awards.

The CRO and the CPO established the Risk Adjustment Forum to provide guidance to the Committee in relation to potential remuneration adjustments in respect of risk, conduct and/or behaviour issues and material risk incidents; and to assist with the implementation of policies and procedures such as the Clawback and In-Year Adjustment Policy.

The Committee also dedicated its time to people matters and received updates from the CPO on the overall progress of initiatives supporting PIC's People Strategy to attract, engage, enable and retain. The CPO also reported on various projects aiming to bring process and technology efficiencies. These comprised the implementation of a share option platform, Sharetrack, which facilitates the annual internal liquidity, a new compensation and benefit system and the development of a job architecture suitable for PIC at its current size but also scalable for future growth.

Standard activities during 2024

- Conducted an annual remuneration review, including reviewing Group performance, risk metrics and bonus pool availability, and review of the Group's population of Material Risk Takers, and made recommendations to the Board.
- Discussed and recommended the share valuation for the Company's share schemes, supported by independent Company valuation.
- Approved and recommended to the Board the Remuneration Policy and NEDs' Expense Policy.
- Approved the Remuneration Policy Statement and the People Policy.
- Reviewed Board and Executive annual remuneration proposals, and made recommendations to the Board.
- Approved the remuneration packages for the successor to the Chief Origination Officer and the General Counsel/ Company Secretary.
- Reviewed the results of the gender pay gap analysis and associated reporting.
- Reviewed management information on employee-related matters.
- Received updates on remuneration decisions taken by management under delegated authority from the Board and the Committee.

Remuneration consultants and advice to the Committee

During the year, the Committee was assisted in benchmarking its remuneration structures and packages by Deloitte, and in the valuation of the Company for vesting of various Group share schemes and management incentive plans by PwC. While Deloitte has been assisting the Committee over recent years, in 2024, the Committee re-appointed Deloitte as the Committee's advisers on updated terms.

The Committee exercised independent judgement when evaluating advice from external consultants.

NED remuneration

The table below sets out our policy for NED remuneration as per the Group's NED Expense Policy. The Policy was approved in December 2024 and is reviewed annually.

Chairman's fees	The CEO and the SID review the Chairman's fees on an annual basis and recommend them to the Committee for review. Once approved by the Committee, the Committee will recommend to the Board for approval.
Non-Executive Directors' fees	Fees are reviewed annually by the Chairman of the Board, with support from the CEO and the Human Resources team, who submit their proposals to the Board for approval. All NEDs receive a base fee, and additional fees are paid for undertaking the extra responsibilities of: • Board Chairman; • SID; • Committee Chair; and • Committee membership.
Benefit	In accordance with the NED Expense Policy, the Group will reimburse the NEDs for all expenses reasonably incurred in the proper performance of their duties as Directors.

Diversity and inclusion

Throughout the year we have continued to take action that further promotes diversity and inclusion ("D&I") at PIC. The Committee received regular updates from the CPO on those matters.

Remuneration Committee report (continued)

Engagement with shareholders

Having shareholder nominated Directors on the Committee allows these shareholders to monitor and safeguard the sustainable growth of the Group through remuneration oversight and ensuring that remuneration does not encourage excessive risk taking but promotes the long-term success of the Group.

Engagement with the workforce

Management seeks employee feedback through formal engagement surveys. Relevant insights and updates are shared with the Committee, and are appropriately taken into account when considering reviews and changes to the Group's Remuneration Policy and practices.

Gender pay gap

The gender pay gap is a measure of the difference between the average pay of men and women across the Group. It does not consider the ratio of men and women, different levels of seniority or those working part-time.

The PIC median gender pay gap for the year 2024 was 16.8% (FY2023: 15.1%). The PIC mean gap for the year was 15.3% (FY2023:11.4%). Our gender pay gap is driven by two primary factors:

- Only 34.5% of our employees are women.
- Only 24% of employees in the upper quartile are women.

We released our UK Pay Gap Report 2024 in March 2025 and it can be found at PIC Gender Pay Group 2024 (pensioncorporation.com).

UK Corporate Governance Code

In determining the remuneration arrangements, the Committee aims to ensure that it supports the execution of our strategy and promotes its long-term sustainable success. The Committee also reviews Executive remuneration so that it is aligned to the Group's purpose and values. In doing so, the Committee takes into consideration the wider employees' remuneration and emerging best practice. The table on the right shows how PIC had applied the principles in respect of remuneration in the UK Corporate Governance Code.

The Committee believes that our remuneration arrangements are clear and transparent. Further information on our Remuneration Policy can be found on page 120.

The Committee is mindful of the Code's six principles when determining the Group's Remuneration Policy.

Clarity	• Our Remuneration Policy supports the financial and strategic objectives of the Group and aligns the interests of Executive Directors to those of our shareholders. • We are committed to transparent communication with all stakeholders, including shareholders (see 'Stakeholder engagement' section).
Simplicity	• We operate a simple remuneration structure comprising fixed pay elements along with short- and long-term variable elements. The annual bonus and LTIPs are focused and suitably stretching, whilst rewarding against key metrics of success for the business. • The structure provides transparency to Executive Directors, shareholders and the wider workforce.
Risk	• Our remuneration packages ensure risk events are reflected in remuneration outcomes. During the year, the Committee approved the Remuneration Policy Statement, which is intended to be consistent with and promote sound and effective risk management. It does not encourage risk taking. • LTIPs were introduced in 2021 to incentivise senior executives to deliver long-term sustained performance consistent with the Group's risk appetite. • Malus and clawback provisions apply to Deferred Bonus Share Plan ("DBSP") awards and LTIP awards. • As part of the mid year and full year appraisal process, the entire workforce is assessed against risk management objectives.
Predictability	• The range of possible values of rewards to individual Executive Directors and any other limits are explained at the time of approving the policy.
Proportionality	• Individual awards are based on performance against a range of non-financial and financial measures, including risk performance and achievement of key strategic objectives during the year. • The Committee has the discretion to adjust the incentive elements of remuneration packages.
Alignment to culture	• Our incentive schemes drive behaviours consistent with the Company purpose, values and strategy.

Remuneration Committee report (continued)

Remuneration Policy

The Group's Remuneration Policy is designed to enable the Group to recruit, retain and motivate employees of the appropriate calibre to deliver its strategy over the long term. The policy is intended to be consistent with and promote sound and effective risk management, and to ensure that it does not encourage risk taking that exceeds the tolerated risk appetite of the Company. A description of the different remuneration elements for 2024 is set out below.

Base salary	Salaries are reviewed annually and are set to be market competitive, taking into account the individual's skills, as well as the size and scope of their role and that of the Group. Salaries are set at such a level that employees are not overly dependent on variable pay and they allow the Group to operate a fully flexible bonus policy.
Benefits	The following benefits are offered to all permanent employees: private health cover; critical illness and income protection; annual travel insurance; interest-free loans (up to £10,000) for season tickets; Cycle to Work scheme; parental leave; and participation in the SAYE scheme.
Pension	All employees who meet the minimum criteria are automatically enrolled in the WorkSave Pension scheme. Employees who have reached their lifetime or annual allowance limit for pensions for tax purposes may receive a cash alternative in lieu of the Group's contribution that otherwise would have been made under the WorkSave Pension arrangement.
Annual bonus	The annual cash bonus, expressed as a percentage of salary, is subject to performance measured in respect of the relevant financial year against financial, customer service and risk management measures. All employees are eligible and the opportunity depends on their role and responsibilities. While the cash element of the bonus is paid upfront, for material risk takers at least 40% of annual bonuses is in the form of nil cost options which are subject to deferral over a three-year period using the DBSP, as detailed below. For material risk takers, individual bonus payments are determined by the Remuneration Committee based on a review of both financial and strategic measures and assessment of individual performance over the year, including a review of individual performance against risk management objectives by the CRO. For Solvency II identified staff in assurance functions, at least 75% of the annual bonus award is based on the achievement of objectives related to the individual's assurance function. The remaining 25% relates to the performance of the Group. Awards for this population are subject to a prevailing affordability underpin, and no bonuses will be paid if overall financial performance is not sufficient to fund awards. The CRO, with input from the Chair of the Risk Committee and the Chair of the Audit Committee, assesses the performance of the year against the Group's risk appetite and behaviours and attitude to risk and compliance. If the performance has been achieved by exceeding the Board and Risk Committee approved risk appetite of the Group, the bonus pool and/or individual outcomes may be adjusted downwards, potentially to zero. Performance against all of the above measures is assessed by the Remuneration Committee in the round.
Deferred Bonus Share Plan	The DBSP seeks to align the long-term interests of the Group for all senior management and other key individuals through bonus deferral. The deferred element is awarded in the form of nil cost options which vest after three years. For Solvency II identified staff, a minimum of 40% of any bonus award is deferred.
Long Term Incentive Plan	Selected senior individuals are invited, at the discretion of the Remuneration Committee, to receive LTIP share awards. These individuals are those tasked with delivering PIC's long-term strategic goals and to generate long-term shareholder value. LTIP awards vest after a three-year period, subject to the achievement of performance conditions, and a solvency and risk management underpin. Awards to the Executive Committee members also have a further retention period of up to two years.
Malus, clawback and in-year adjustment	Any bonus, including annual bonus, DBSPs and the LTIP can be adjusted by the Remuneration Committee by applying malus, clawback and in-year adjustment provisions as determined in the relevant scheme rules. This includes, but is not limited to: • an event of significant financial losses or material misstatement of the accounts; • material failure of risk management; • discovery of a material error in relation to the assessment of annual performance on which an award was based; or • reasonable evidence of any act or omission by the participant which has contributed to material losses or serious reputational damage to the Group or any business area, or has amounted to serious misconduct, fraud or misstatement.

Remuneration Committee report (continued)

Committee performance

The Committee's performance was reviewed as part of the 2024 internal Board performance review. The overall conclusion was that the Committee operates well.

Further information on the Board performance review can be found on **pages 103 and 104**

Looking forward to 2025

Following Tracy Blackwell's decision to retire from PIC, the Committee will work with the Nomination Committee in the search for her successor. The Committee will also continue to focus on the five-year review of remuneration structures including consideration of the non-financial and finance performance metrics and their alignment to PIC's strategic objectives and PIC' sustainability goals.

The Committee will focus on people-related initiatives including diversity and inclusion, workforce planning, review of the job architecture, employee engagement results and what actions have been taken by executives to address issues. The Committee will assist the Board with monitoring PIC's culture.

Risk Committee report

Committee role and membership

The Risk Committee (the "Committee") is responsible for providing oversight and advice to the Board in relation to the current, emerging, and potential risk exposure, risk tolerance, and future risk strategy of the Group, and recommending the overall risk appetite to the Board.

The Committee also has responsibility for monitoring the effectiveness of the Enterprise Risk Management ("ERM") Framework, which includes oversight of the Internal Model. The scope of the Committee's work is designed to help the Board deliver the Group's strategic objectives of long-term value growth, being a responsible corporate citizen, and making sure the Group is secure and sustainable.

The Committee comprises six NEDs, five of whom are regarded as independent ("INEDs") pursuant to the Code and who the Group considers to be free of any relationship that would impact their impartiality in carrying out their responsibilities. The remaining NED is shareholder nominated. Roger Marshall stepped down as a Director and member of the Committee on 31 December 2024 and Martin Pike joined the Committee on 1 January 2025.

Other regular attendees at the Committee's meetings during 2024 included the Chairman of the Board, the CEO, the CFO, the CRO, the Chief Investment Officer, the Chief Operations Officer, the General Counsel, the Chief Actuary, the Actuarial Function Holder, and the Chief Internal Audit Officer.

The Committee held five scheduled meetings and three ad hoc meetings which were either deep dives, technical sessions, or briefings on a variety of topics, including the Group's Own Risk Self-Assessment ("ORSA"), regulatory updates on the Group's responses to the PRA's PSM Letter, and the risk appetite for pricing of new business and accepting in-specie assets.

More detail on the skills and experience of the Committee members can be found on **pages 87 to 92**

Meetings held in 2024		Scheduled meetings	Meetings attended
Sally Bridgeland (Chair)	INED	5	5
Judith Eden	INED	5	5
Stuart King	INED	5	5
Arno Kitts	INED	5	5
Roger Marshall[1]	INED	5	5
Andy Moss[2]	INED	3	3
Wilhelm Van Zyl	NED	5	5

1. Roger Marshall left the Committee on 31 December 2024.
2. Andy Moss joined the Committee in June 2024.
* Martin Pike joined the Committee on 1 January 2025.

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

During 2024, the Committee continued to focus on its primary role of providing oversight and advice to the Board on the current, emerging, and potential risks to the viability and future strategy of the Group. This has provided assurance to the Board that the Group's ERM Framework continues to be effective and robust.

The Committee also spent a significant amount of time considering the Group's key risk areas and approved updates to the Group's approach to options related to new business and updates to associated frameworks and risk appetites.

The Committee also assisted the Remuneration Committee in its recommendation to the Board on the remuneration process, ensuring that risk management was properly considered in setting performance objectives within the incentive structure and in the Remuneration Policy and awards. The rest of this report details the Committee's activities in the year, and additional information on PIC's approach to risk management can be found on pages 72 to 79

I am particularly pleased that the Committee continued to see improvements in the Group's stress and scenario testing ("SST") capabilities and reporting, with SST being evident in a much wider range of our decisions. The Committee received an update on the approach and results of the climate and other SST performed as part of the ORSA, and the SST results supporting the Recovery and Run-Off Plan. The Committee also approved the SST roadmap, which is being used to drive greater use of SST in business as usual and strategic decision-making, as well as in Solvency and Liquidity risk appetite considerations. The Committee is looking forward to receiving further enhanced outputs of SST in 2025 and beyond.

Sally Bridgeland
Chair of the Risk Committee

Risk Committee report (continued)

Key activities during 2024

Operational resilience

The Committee considered the Group's operational resilience and embedding of operational resilience into the Group's business as usual activities. The Committee recommended the Operational Resilience Self-Assessment to the Board for approval and received updates on operational risk incidents, reviewing any themes arising from them.

Internal Model

The Committee received regular updates on the Internal Model ("IM") Roadmap, and changes to the Credit Risk Model. It also reviewed the IM Validation Report, the IM Consolidated Annual Report, and the 2024 IM Development and Validation Plan, and considered and approved changes to the IM Property Risk Module.

ORSA Report

The Committee considered the output from the ORSA process and recommended the ORSA Report to the Board for approval. The ORSA Report provides an assessment of the effectiveness of the Group's Risk Management Framework, allowing the Board to challenge where further enhancements can be made. It undertakes a forward-looking risk assessment and an overview of key areas of risk and their potential impact on the business model, which is partially informed through a programme of financial and operational SST. The SST is a key component of the ORSA and helps to provide comfort to the Committee and the Board that even in severe but plausible downside scenarios, PIC has appropriate financial resources or management actions to maintain financial resilience.

Recovery and Run-Off Plan

The Committee considered and recommended the updated Recovery and Run-Off Plan to the Board for approval.

Liquidity management

The Committee provided oversight of liquidity and solvency risk and reviewed and recommended updates to the liquidity and solvency risk appetite metrics to the Board for approval. The Committee also received regular updates on the Group's response to phases one and two of the Bank of England's system-wide exploratory scenario and the PRA's thematic exercise on liquidity risk appetites.

ESG and climate risk

The Committee considered the results of the climate change SST.

Standard activities during 2024

Risk strategy, appetite and policy

- Considered and approved a number of changes to various risk appetites.
- Reviewed PIC's Risk Appetite Framework and made recommendations to the Board on its continued evolution. During 2024, all risk appetite statements, tolerances and metrics were reviewed to ensure they remained appropriate.
- Reviewed and approved the Risk Function strategy and plans for 2025.
- Reviewed and recommended the Group's updated risk taxonomy to the Board for approval.

Risk oversight and monitoring

- Received updates on the Group's top risk areas and their assessment both on a forward- and backward-looking basis.
- Received updates on emerging risks and their potential impact on the Group.
- Reviewed risk incident trends, material incidents and improvement plans.
- Reviewed the Actuarial Function Holder's opinion on the 2023 Underwriting Policy and the adequacy of the 2023 reinsurance arrangements of PIC's insurance undertaking.
- Reviewed progress on the development of a risk maturity model to assess and aid PIC's development across key risk and governance areas.
- Reviewed planning and progress on the implementation of the Investment Platform Project ("IPP").
- Received updates on regulatory developments and interactions with regulators.

Governance

- Reviewed the performance of the Risk function and was satisfied that it continued to operate effectively and in accordance with its mandate.
- Reviewed the Committee's terms of reference ("TOR") and 2025 annual planner, and recommended changes to the TOR to the Board for approval.
- Reviewed and approved the Risk Function and Actuarial Function Mandates and various policies within the Committee's remit.

Committee performance

The Committee's performance was reviewed as part of the 2024 internal Board performance review. The overall conclusion was that the Committee operates well.

+ Further information on the Board performance review can be found on **pages 103 and 104**

Looking forward to 2025

The Committee expects to provide enhanced oversight of key initiatives such as the IPP, the further embedding of SST into the Group's activities, and potential uses of Artificial Intelligence. The Committee will also focus on the implementation of Solvency II reform into the IM and the Matching Adjustment, as well as reporting against new provisions of the UK Corporate Governance Code in respect of internal controls and risk management. The Committee will also be responsible for reviewing and approving Matching Adjustment applications for submission to the PRA, receiving and noting the attestation from the CFO to the PRA in respect of elements of PIC's Matching Adjustment permission, and receiving and noting the CRO's attestation in relation to the appropriateness of the IM.

Directors' report

The Directors' report for the year ended 31 December 2024 comprises pages 124 to 128 of this report, together with sections of the Corporate Governance report set out on pages 93 to 104, which are incorporated by reference into this report and should be read as part of this report.

Corporate Governance statement

The Board and the executive management are committed to high standards of corporate governance and following the principles of the Code, because they believe these underpin and promote the success of the Company for the benefit of its shareholders and stakeholders. The Company has applied all the principles of the Code and it has applied most of the provisions of the Code. Further details about the Company's application of the Code can be found in the Corporate Governance report on page 94. The Board is aware that the 2024 Corporate Governance Code will become effective from 1 January 2025; therefore, the Board will report on the Company's application of the principles and provisions of the 2024 Code in its report for the year ended 31 December 2025.

In addition, the Group's subsidiary, Pension Insurance Corporation plc, has listed securities in issue and complies with its ongoing obligations, including as regards governance, under the FCA's Disclosure and Transparency Rules and Listing Rules and the Global Exchange Market's Listing and Admission to Trading Rules for Debt Securities. Further information on the Company's governing body and its Committees is included in the Corporate Governance report on pages 85 to 123.

PICG Directors and their interests

The Directors who served during the period and up to the date of the approval of these financial statements were:

Name	Position	Appointed/Resigned
David Weymouth	Chairman	
Roger Marshall	Senior Independent Director	Resigned 31 December 2024
Tracy Blackwell CBE	Chief Executive	
Jake Blair	Director	
Judith Eden	Director	
Tim Gallico	Director	
Julia Goh	Director	
Tracey Graham	Director	Appointed 1 January 2025
Stuart King	Director	
Arno Kitts	Director	
Josua Malherbe	Director	
Andy Moss	Director	Appointed 1 January 2024
Jérôme Mourgue D'Algue	Director	
Wilhelm Van Zyl	Director	

One Director who held office during the financial year is a beneficiary of the Company's share-based award schemes, details of which are given in Note 7 to the financial statements. This Director received 284,950 ordinary shares of the Company upon vesting of certain schemes during the year (2023: one Director received a total of 134,557 ordinary shares).

Directors' and officers' indemnities

The Articles of Association of the Company provide for the Directors and officers of the Company to be indemnified in respect of liabilities incurred as a result of their office. The Company also provides certain forms of protection for its Directors and senior managers of companies within the Group against personal financial exposure that they may incur in their capacity as such. During the year and at the time the Directors' report was approved under section 234 of the Companies Act 2006, this protection included qualifying third party indemnity provisions (as defined under section 234 of the Companies Act 2006) in force for the benefit of the Company's Directors.

Share capital and major shareholders

Details of the Company's share capital, including changes during the year in the issued share capital and details of the rights attaching to the Company's ordinary shares, are set out in Note 20 to the financial statements. The following are the major shareholders of PICG as at 31 December 2024:

	No of ordinary shares held as at 31 December 2024	% of the issue ordinary share capital as at 31 December 2024
Reinet PC Investments (Jersey) Limited on behalf of Reinet Investments S.C.A.	660,381,700	49.49
Luxinva S.A. on behalf of ADIA	245,710,540	18.42
Blue Grass Holdings Limited on behalf of CVC	231,825,290	17.37
MP 2019 K2 Aggregator, L.P. on behalf of HPS	136,508,422	10.23

Own shares

At 31 December 2024, 9,650,852 ordinary shares of the Company were held in an Employee Benefit Trust (2023: 8,047,431), in accordance with the Accounting Policy in Note 7 to the financial statements.

Dividends

The Directors of the Company proposed a final dividend for the year ended 31 December 2023 of 11.0 pence per ordinary share (year ended 31 December 2022: 7.5 pence).

In September 2024, the Directors of the Company also approved a 2024 interim dividend of 11.0 pence per ordinary share and a special dividend of 8.0 pence per ordinary share.

The Directors of the Company proposed a final dividend for the year ended 31 December 2024 of 12.0 pence per ordinary share and a special dividend of 15.0 pence per ordinary share.

Directors' report (continued)

Statement on the Company's business relationships with suppliers, customers and others

Information on how the Directors have had regard to the need to foster effective business relationships with suppliers, customers and others, including detail on how they have discharged their duty under s.172 of the Companies Act 2006, is included in the Strategic Report on pages 44 to 49.

Any payments to suppliers are made through the service company, Pension Services Corporation Limited ("PSC") and the required disclosures on policy and practice on payment of creditors are included in the PSC Annual Report and Accounts.

Material contracts

During the year, PSC, a UK limited company that is an indirect subsidiary of PICG, continued to provide management, staff, IT and office services to the Group under a defined service agreement.

Future developments

The information that fulfils the reporting requirements relating to the likely future developments in the business of the Company is included in the Strategic Report, which is separate to this Directors' report.

Financial instruments

The information relating to the Company's financial instruments is included in Note 13 to the financial statements.

Auditor

In accordance with section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Internal controls and risk management system

Section 4 of the Code sets out the requirements in relation to audit, risk and internal controls. The Board has overall responsibility for the system of risk management and internal controls, and for reviewing its effectiveness. The Board has delegated responsibility for monitoring this system and reporting on its effectiveness to the Board to the Audit Committee and the Risk Committee. Throughout the year, the Audit Committee and Risk Committee received and reviewed regular management reports in relation to internal controls and risk management to assure themselves that the processes in place remain effective.

Each year, the Board approves a Co-ordinated Assurance Plan which is intended to provide the Board with assurance that the internal controls and risk management systems work effectively. The plan, is devised by the Internal Audit, Compliance, Risk and Actuarial functions within the Group and is overseen by the Risk and Audit Committees as part of their delegated authority from the Board. The overlap in membership of those two Committees ensures that all areas of the system are adequately covered.

The Board Risk Committee is responsible for exercising oversight, on behalf of the Board, of the key risks of the Group. It reviews the Group's Risk Appetite Statement and ERM Framework and makes recommendations to the Board. The Audit Committee is responsible for oversight and giving advice to the Board on matters relating to financial reporting and it will review the Group's internal controls including internal financial controls.

The performance of the Group's businesses is reported regularly to senior management and the Board. Performance trends and forecasts, as well as actual performance against budgets and prior periods, are monitored closely. Financial information is prepared using appropriate accounting policies, which are applied consistently.

Directors' report (continued)

Internal controls

The Group's risk management and internal controls system is designed to manage rather than eliminate the risk of failure to achieve business objectives. An internal control system can provide reasonable but not absolute assurance against material misstatement or loss.

The Audit Committee reviews the Group's internal control systems and both the Audit Committee and the Risk Committee receive updates on the findings of Internal Audit's investigations at each meeting. Any significant matters are reported to the Board, which retains overall responsibility for the effectiveness of the full scope of internal controls across the Group. A description of the key activities in respect of internal controls covered by the Audit Committee is provided in the report on pages 107 to 110.

The audit programme includes obtaining an understanding of the processes and systems under audit review, evaluating the design of controls, and testing the operating effectiveness and outcomes of key controls. The Chief Internal Audit Officer reports regularly to the Audit Committee and the Risk Committee.

The Chief Internal Audit Officer has reporting lines to the Chair of the Audit Committee, the Audit Committee, the Executive Committee and the Board and directly reports to the Chief Executive.

In March and September 2024, the Board received a short training session on the scope of Solvency II changes and the consequential changes to the role of the Risk Committee and its terms of reference through the introduction of provisions arising from Solvency II regulations. These changes were in respect of: i) delegation from the PIC Board to review and approve the Matching Adjustment application for submission to the PRA; ii) reviewing the attestation from the CRO to the PRA on the appropriateness of the Internal Model, iii) assessing how any retained risks of assets within the Matching Adjustment portfolio are reflected in the Fundamental Spread of those assets; and iv) reviewing the attestation from the CFO in respect of elements of PIC's Matching Adjustment permission. These changes are designed to strengthen the Board's accountability for the effectiveness of the risk and internal controls framework.

The Board is fully committed to ensuring that the Group's internal controls and risk management systems are in line with best practice and address any new requirements within the expected time frames.

Risk management

The Board has overall responsibility for setting the Group's risk appetite and ensuring that there is an effective Risk Management Framework in place. It has delegated responsibility for review of the risk management methodology and system to the Risk Committee.

Risk management is integrated into the Group via the ERM Framework. This framework comprises PIC's system of governance, policies, the Risk Appetite Framework and the application of the risk management system. The ERM provides a robust assessment of all of the principal risks, topical and emerging risks, and integrated risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The Risk Committee reviews the processes for, and outputs from, the Group's ERM activity, through which the Group's key risks and related controls are identified, evaluated and managed. It also reviews the effectiveness of the risk management system on behalf of the Board and keeps under review ways in which the control and assurance arrangements can be enhanced. A Management Risk Committee assists the Risk Committee in reviewing the risk management system and undertaking reviews of assurance risk reports prior to Audit and Risk Committee meetings.

This year, the Risk Committee also reviewed PIC's Risk Appetite Framework and made recommendations to the Board on its continued evolution. The Risk Committee continued to discuss emerging risks and their potential systemic impact and the Risk Committee reviewed and suggested further refinements to the Group's emerging risks dashboard.

Further details of the Group's risk management systems and controls in place to manage its key risks can be found in the Strategic Report on pages 72 to 79. Additionally, the Risk Committee report describes the main activities undertaken in respect of risk strategy, appetite, policy, and risk oversight and monitoring and these are outlined on pages 122 to 123.

Conclusion on internal controls and risk management

The Audit Committee and Risk Committee are pleased to confirm that they were able to provide the Board with assurance that the Group's internal controls systems and risk management procedures are effective, efficient and operating as required.

The Board has reviewed the effectiveness of the system of internal controls and risk management, for the year ended 31 December 2024 and up to the date of signing of these financial statements and the Annual Report. The Board believes that the internal control and risk management systems of the Company are effective and adequate and it has not identified any weaknesses sufficient to cause material misstatement or loss which requires disclosure in the financial statements.

Directors' report (continued)

Employee engagement and policies

Details of how the Company has engaged with employees during the year can be found in the "Our people and culture" section of the Strategic Report and the "Stakeholder engagement" section of the Corporate Governance report. In addition, details of how the Board has considered the interests of the Company's employees in key decision making can be found in the section 172 statement included in the Strategic Report and the Corporate Governance report.

The Company is committed to keeping employees informed of the performance of PIC and this is achieved through regular updates from the CEO and senior management through the online Town Halls and company-wide away days known as the Big PICnic and a TyPICally Us Day. These facilitate a two-way dialogue between the Executives and PIC's employees.

PIC gathers the views of its employees through formal and informal engagement methods that take place throughout the year. PIC's annual employee engagement survey asks employees how they feel about working at PIC and if the values and culture are reflected in the Company's ways of working and working practices. The Board also receives regular updates from the CPO, which include employee issues and an update on the annual employee survey. PIC recognises the critical role that its senior management continue to play in engaging with employees across the Company and ensuring that they are kept up to date on key business developments related to our performance and strategy.

The Group operates an annual SAYE scheme to encourage greater employee involvement. Information about the scheme is shared with employees via email and a live session with questions and answers and further information is provided to employees via the Company's employee intranet. The scheme is available to all employees and provides the opportunity to acquire the Company's shares at a favourable price. Further information can be found on page 51.

Diversity and inclusion

PIC believes that having and maintaining a diverse and inclusive workforce is a key factor for it to be a successful business. PIC's Equal Opportunities, Diversity and Inclusive Behaviours Policy aims to promote a consistent and fair approach to employment, and this stems from our values and capability framework. PIC's approach is to go beyond the requirements of the Equality Act 2010, and PIC believes in consistency and fairness across all people policies, procedures and practices.

PIC seeks to ensure that every employee is treated equally and fairly, in a working environment free from bullying, harassment and discrimination, and it is a place where our employees are proud to work. PIC recruits and promotes the best person for each role, based on objective job-related criteria with due regard for their qualifications and experience.

PIC actively encourages the development of all employees to enable them to reach their full potential. The Equal Opportunities, Diversity and Inclusive Behaviours Policy outlines the Group's approach to training and progression. PIC actively encourages all employees to maintain, develop or increase knowledge, for the purpose of maintaining a high standard of professional practice. All employees are required to complete a minimum of ten hours of Continuing Professional Development every year and employees are encouraged to take advantage of the learning and development opportunities available via PIC Learning or external courses, where appropriate.

Employees with disabilities

The Group is an equal opportunities employer and welcomes applications from all individuals, including those with a disability. We are fully committed to supporting applications made by disabled persons and make reasonable adjustments to their environment where possible (having regard to their particular aptitudes and abilities). We are also responsive to the needs of our employees. As such, should any employee become disabled during their time with us, we will actively re-train that employee and make reasonable adjustments to their environment where possible, in order to keep them in employment with us. We encourage all employees to take advantage of the learning and development opportunities available. All training applications are assessed on how this will benefit the individual and the Group. This assessment includes training in their current role, career progression and/or promotion.

Directors' report (continued)

Other disclosures

Political donations

The Company made no political donations during the year (2023: £nil).

Overseas branches

The Group does not have any branches outside the United Kingdom.

Greenhouse gas ("GHG") emissions

In accordance with Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 and Companies Act 2006 (Strategic Report and Directors' Report) Regulations, we are required to report on our GHG emissions including our UK energy use and carbon emissions. The information in the table below represents the GHG and energy use for which PIC is responsible:

	Current reporting period (UK and offshore)	2023 reporting period (UK and offshore)
Total energy consumption used to calculate emissions in kWh	**1,257,735**	1,271,958
Emissions from combustion of gas in tCO_2e (Scope 1)	**30.9**	32.2
Emissions from purchased electricity in tCO_2e (Scope 2, location-based)	**225.3**	226.9
Emissions from purchased energy in tCO_2e (Scope 2, market-based)	**414.6**	400.1
Total gross tCO_2e based on above	**256.3**	259.1
Intensity ratio: gross tCO_2e/ floor area	**0.04**	0.05
Intensity ratio: gross tCO_2e/ full-time equivalent	**0.43**	0.51

Reporting terminology definitions

Scope 1: Direct emissions that are owned and controlled by the Company.

Scope 2: Emissions that are a consequence of the operations of the Company.

Intensity ratio: GHG impact per unit of physical activity or unit of economic value.

Reporting period

Our GHG reporting period is the same as our financial year: 1 January to 31 December 2024.

Methodologies

The data detailed in this table represents emissions and energy use for which Pension Insurance Corporation Group Limited is responsible. To calculate our emissions, we have used the main requirements of the Greenhouse Gas Protocol Corporate Standard, along with the UK Government GHG Conversion Factors for Company Reporting 2024 for Scope 1 and location-based Scope 2 emissions, and the Association of Issuing Bodies Residual Mix factors for market-based Scope 2 emissions. We have calculated our emissions for 2023 and 2024 in line with our financial years. Electricity estimates included in our totals are derived from actual data in the same reporting period. Natural gas consumption is estimated based on actual data for the office building, of which 50% is assumed to be used by PIC. We do not have any fuel used for company travel to report.

Actions

In December 2024, PIC moved into a new office at 22 Ropemaker Street, London. The newly constructed building has sustainability embedded in its design and fit-out, and has received a certification of BREEAM Outstanding. Features include recovery of the building's waste heat, enhanced metering to reduce energy use, LED lighting with daylight and presence detection, and materials with strong environmental credentials have been used within the fit- out wherever possible. This office is therefore expected to reduce the Group's Scope 1 and 2 emissions from 2025 onwards.

Going concern and viability

After making enquiries, including specific consideration of regulatory solvency, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Board

David Weymouth
Chairman
22 Ropemaker Street, London EC2Y 9AR

14 March 2025

Statement of Directors' responsibilities

Statement of Directors' responsibilities in respect of the Annual Report, the Strategic Report, the Directors' report and the financial statements

The Directors are responsible for preparing the Annual Report, the Strategic Report, the Directors' report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law, they have elected to prepare the Group and the Company financial statements in accordance with UK accounting standards and applicable law, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the Group's profit or loss for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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

On behalf of the Board

David Weymouth
Chairman
22 Ropemaker Street, London EC2Y 9AR

14 March 2025

Financial Statements.

Independent Auditor's Report

To the members of Pension Insurance Corporation Group Limited

Opinion

We have audited the financial statements of Pension Insurance Corporation Group Limited ("the Company") for the year ended 31 December 2024 which comprise the Statement of Comprehensive Income for the Group, the Group and Company Statements of Financial Position, the Group and Company Statements of Changes in Equity, the Group and Company Statement of Cash Flows and related notes, including the accounting policies in Note 1.

In our opinion:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the Audit Committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Audit Committee, Risk Committee, Investment and Origination and Credit Committee minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet financial targets, we perform procedures to address the risk of management override of controls, in particular, the risk that Group management may be in a position to make inappropriate accounting entries.

We also identified fraud risks related to the valuation of insurance contract liabilities and valuation of private investments in response to the possible pressures on management to meet the financial targets.

For insurance contract liabilities, the risk relates to the particularly judgmental assumptions of base mortality, mortality improvements, expenses including maintenance expenses and credit default assumption. We involved actuarial specialists to assist in our challenge of management. Our procedures in relation to this fraud risk included challenging the key assumptions in relation to the selection of assumptions and the appropriateness of the rationale for any changes, the consistency of the selected

Independent Auditor's Report (continued)

To the members of Pension Insurance Corporation Group Limited

assumptions across different aspects of the financial reporting process and comparison to our understanding of the business, trends in experience, policyholder behaviour and economic conditions and also by reference to market practice.

For valuation of private investments, the risk relates to the internal credit ratings assumptions. We engaged our credit rating specialists to assess the appropriateness of the internally assigned credit ratings.

To address the fraud risk as it relates to management override, we also performed procedures including:

Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those including specific words based on our risk criteria, those posted to seldom used accounts and those entries containing significant estimates posted at the end of the period (period-end adjustments).

Identifying and responding to risks of material misstatement related to compliance with laws and regulations:

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity and certain aspects of Group legislation recognising the financial nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect a breach.

Independent Auditor's Report (continued)
To the members of Pension Insurance Corporation Group Limited

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and Directors' report

The Directors are responsible for the Strategic Report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 129, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Jessica S.S. Katsouris

Jessica Katsouris (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP, 15 Canada Square, London, E14 5GL

14 March 2025

Statement of comprehensive income for the Group
for the year ended 31 December 2024

	Note	**2024 £m**	2023 £m
Insurance revenue	2	**2,382**	2,187
Insurance service expense	2	**(2,131)**	(1,877)
Net expense from reinsurance contracts held	2	**(58)**	(108)
Insurance service result		**193**	202
Total investment (loss)/return	3	**(1,166)**	3,210
Net finance income/(expense) from insurance contracts	3	**1,918**	(3,327)
Net finance (expense)/income from reinsurance contracts	3	**(253)**	482
Net financial result		**499**	365
Other operating expenses	4	**(197)**	(173)
Other finance costs		**(124)**	(91)
Profit before taxation		**371**	303
Tax charge	8	**(87)**	(64)
Profit and total comprehensive income for the year		**284**	239

The amounts shown above are in respect of continuing operations.

+ The accounting policies and notes on **pages 138 - 191** form an integral part of these financial statements.

Statement of financial position for the Group

as at 31 December 2024

	Note	**31 December 2024 £m**	31 December 2023 £m
Assets			
Property, plant and equipment	10	**22**	—
Right of use assets	11	**35**	40
Investment properties	12	**805**	663
Financial investments	13	***43,095***	*39,118*
Pledged financial investments	13	***7,837***	*7,731*
Total financial investments		**50,932**	46,849
Derivative and other financial assets	14	**28,869**	27,977
Deferred tax assets	15	**288**	322
Current tax assets		**13**	—
Reinsurance contract assets	16	**2,036**	2,321
Prepayments		**9**	9
Receivables	13	**36**	45
Cash and cash equivalents	13	**631**	312
Total Assets		**83,676**	78,538
Equity			
Share capital	20	**2**	2
Share premium	22	**873**	873
Treasury shares and share-based payment reserve	22	**(16)**	(10)
Other reserves	22	**1,089**	1,089
Retained profit	22	**1,920**	2,070
Total Equity attributable to shareholders		**3,868**	4,024
Tier 1 notes	21	**444**	444
Total Equity		**4,312**	4,468
Liabilities			
Insurance contract liabilities	16	**44,303**	41,206
Borrowings	17	**2,062**	1,789
Lease liabilities	11	**39**	40
Derivative and other financial liabilities	14	**32,762**	30,830
Other payables	13	**17**	16
Accruals	13	**181**	189
Total Liabilities		**79,364**	74,070
Total Equity and Liabilities		**83,676**	78,538

+ The accounting policies and notes on **pages 138 - 191** form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 14 March 2025 and were signed on its behalf by:

Tracy Blackwell CBE
Director
Registration number: 09740110

Statement of changes in equity for the Group

for the year ended 31 December 2024

31 December 2024	Note	Share capital £m	Share premium £m	Treasury shares and share-based payment reserve £m	Other reserves[1] £m	Retained profit £m	Total shareholders' equity £m	Tier 1 notes £m	Total Equity £m
At beginning of year		**2**	**873**	**(10)**	**1,089**	**2,070**	**4,024**	**444**	**4,468**
Total comprehensive income									
Profit for the year		**—**	**—**	**—**	**—**	**284**	**284**	**—**	**284**
Transactions with owners									
Dividend[2]	9	**—**	**—**	**—**	**—**	**(398)**	**(398)**	**—**	**(398)**
Tier 1 note coupon	21	**—**	**—**	**—**	**—**	**(33)**	**(33)**	**—**	**(33)**
Share-based payment charge	7, 22	**—**	**—**	**9**	**—**	**—**	**9**	**—**	**9**
Share purchases and share scheme settlements	22	**—**	**—**	**(15)**	**—**	**(3)**	**(18)**	**—**	**(18)**
At end of year		**2**	**873**	**(16)**	**1,089**	**1,920**	**3,868**	**444**	**4,312**

31 December 2023	Note	Share capital £m	Share premium £m	Treasury shares and share-based payment reserve £m	Other reserves[1] £m	Retained profit £m	Total shareholders' equity £m	Tier 1 notes £m	Total Equity £m
At beginning of year		2	873	—	1,089	1,967	3,931	444	4,375
Total comprehensive income									
Profit for the year		—	—	—	—	239	239	—	239
Transactions with owners									
Dividend	9	—	—	—	—	(100)	(100)	—	(100)
Tier 1 note coupon	21	—	—	—	—	(33)	(33)	—	(33)
Share-based payment charge	7, 22	—	—	8	—	—	8	—	8
Share purchases and share scheme settlements	22	—	—	(18)	—	(3)	(21)	—	(21)
At end of year		2	873	(10)	1,089	2,070	4,024	444	4,468

1. As at 31 December 2024, other reserves include a merger reserve of £34 million (2023: £34 million) and capital reduction reserve of £1,055 million (2023: £1,055 million). Refer to Note 22 for further details.
2. In 2024, £2 million of the total dividends paid of £400 million was received by the Group's Employee Benefit Trust, reducing the total dividend paid externally.

+ The accounting policies and notes on **pages 138 - 191** form an integral part of these financial statements.

Group statement of cash flows
for the year ended 31 December 2024

	Note	**2024 £m**	2023 £m
Cash flows from operating activities			
Profit for the year		**284**	239
Adjustments for:			
Interest income		**(1,550)**	(1,421)
Other investment (income)/loss		**(510)**	10
Loss on redemption of subordinated debt	3	**1**	10
Finance costs		**124**	91
Depreciation on right of use assets	11	**6**	—
Tax expense	8	**87**	64
Equity settled share-based payments	7	**9**	8
		(1,833)	(1,238)
Changes in operating assets and liabilities			
Increase in investment properties	12	**(142)**	(419)
Increase in financial investments	13	**(4,083)**	(5,631)
Increase in derivative and other financial assets	13	**(892)**	(5,526)
Decrease/(increase) in reinsurance contract assets	16	**285**	(1,661)
Increase in prepayments		**—**	(1)
Decrease in receivables		**9**	54
(Decrease)/increase in accruals		**(8)**	36
Increase in insurance contract liabilities	16	**3,097**	7,493
Increase in derivative and other financial liabilities		**1,932**	5,482
Increase in other payables		**1**	8
		199	(165)
Cash outflow from operating activities		**(1,350)**	(1,164)
Interest income received		**1,550**	1,421
Other investment income/(loss)		**510**	(10)
Taxation paid		**(66)**	(72)
Net inflow from operating activities		**644**	175
Cash flows from investing activities			
Acquisition of property, plant and equipment	10	**(22)**	—
Net outflow from investing activities		**(22)**	—
Cash flows from financing activities			
Payment of lease liabilities	11	**(4)**	(5)
Purchase of treasury shares		**(15)**	(18)
Share scheme settlements		**(3)**	(3)
Interest paid on subordinated debt		**(120)**	(90)
Coupon on tier 1 notes	21	**(33)**	(33)
Issuance of subordinated debt	17	**495**	495
Redemption of subordinated debt	17	**(225)**	(310)
Dividends paid	9	**(398)**	(100)
Net outflow from financing activities		**(303)**	(64)
Net increase in cash and cash equivalents		**319**	111
Cash and cash equivalents at beginning of year		**312**	201
Cash and cash equivalents at end of year		**631**	312

+ The accounting policies and notes on **pages 138 - 191** form an integral part of these financial statements.

Notes to the financial statements
for the year ended 31 December 2024

1. Accounting policies

Basis of preparation

Pension Insurance Corporation Group Limited is a private limited company incorporated and domiciled in the United Kingdom. Both the Company's financial statements and the Group's consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on a going concern basis. Management have conducted a detailed assessment of the Group's going concern status based on its current position and forecast results and have concluded that the Group has adequate resources to operate for at least the next 12 months from the approval of these financial statements.

In making the going concern assessment, management reviewed the forecast solvency and liquidity positions, stress and scenario testing of key assumptions, and horizon scanning to consider the key risks to the business and the potential impact of these risks on the business plan objectives. Mitigating actions were also considered and are set out in the "Risk Management" section of the Strategic Report on pages 72 to 79. The key stress tests, scenarios and sensitivities include a change in interest rates, an increase in inflation, widening of credit spreads, downgrades and defaults, liquidity stresses, and reinsurance and capital availability. The principal sources of forecast information were the 2025 business plan and the Group's Own Risk and Solvency Assessment ("ORSA"), both of which are due to be approved by the Board on 27 March 2025. Details of the Group's financial position and solvency can be found in the Chief Financial Officer's review on pages 63 to 71.

In publishing its own financial statements here together with the Group financial statements, the Company has taken advantage of the exemption in section 408(3) of the Companies Act 2006 not to present its individual Statement of comprehensive income and related notes that form a part of these financial statements.

The Group has applied all IFRS and interpretations that are adopted by the UK and are effective for accounting periods beginning on or after 1 January 2024.

Management consider that the Group consists of one operating segment, which operates in one geographical location (the United Kingdom) and has one line of business (the provision of insurance annuity products to UK defined benefit occupational pension funds and their members).

In preparing the financial statements, climate change has not been a significant area of accounting judgement or estimation; please refer to Note 18(f) for further details.

Basis of consolidation

The consolidated financial statements comprise those of the Company and its subsidiary companies. For the purposes of consolidation, the accounting policies of subsidiary companies have been aligned with those of the Company.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that control ceases. Intra-group transactions and outstanding balances are eliminated in the preparation of the consolidated financial statements of the Group and any non-controlling interests in the net assets of subsidiaries are identified separately from the Group's equity.

The functional currency of the Group and its subsidiaries is GBP sterling. These financial statements have been presented in millions of GBP sterling (£m) unless otherwise stated. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the foreign exchange rate ruling at the end of the financial year. Non-monetary assets and liabilities are translated into the functional currency using the historical rate. All revenue and expense items are reflected in the Statement of comprehensive income for the Group at the rate effective at the date the transaction took place.

Critical estimates and judgements

The preparation of financial statements requires the use of certain accounting estimates and assumptions that affect the reported assets, liabilities, income and expenses. It also requires management to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions are significant to the consolidated financial statements, are set out below and in more detail in the related notes. Insurance contract liabilities and financial instruments are the areas where there is more risk of a material adjustment to the carrying amounts within the next financial year.

Policy-related judgements

Insurance/reinsurance contract liabilities/assets

The valuation approach applied involves the following key judgements:

- The method adopted to measure coverage units for the release of the contractual service margin ("CSM").
- The method adopted to measure the risk adjustment.
- Assessing which internal expenses and overheads of the Group are directly related to the acquisition and fulfilment of an insurance contract.
- The method adopted for the release of the loss component for onerous contracts and the loss recovery component for related reinsurance contracts.

Please refer to Note 16(e) for further details in relation to these judgements.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

Estimates

Present value of future cash flows

Future cash flows are valued based on the present value of the unbiased probability weighted projected cash flows of future benefit payments to policyholders and the cost of administering payments to policyholders. The key assumptions relate to future mortality, expenses, discount rates and inflation. Please refer to Note 16(e) for further details.

Risk adjustment

The risk adjustment for non-financial risk ("RA") is estimated using a selected confidence interval ("value at risk"), applied to probability distributions and risk correlations underlying the Group's Solvency II Internal Model. Please refer to Note 16(e) for further details.

Financial instruments

Where an active market does not exist for a financial instrument, the Group uses financial modelling to ascertain fair value. The models consider the anticipated future cash flows expected to be derived from the assets or paid in respect of the liabilities and discount them to reflect the timing of payments and, for debt assets, the likelihood of default given the relative seniority of the holding in order of repayment. For equity release mortgages ("ERMs"), key inputs also include assumptions relating to property prices. Where an instrument is neither traded on an active market or internally modelled, the Group uses valuations provided by independent fund managers, along with other available market information. The relevant fair value disclosures are set out in Note 13.

Investment properties

The market value of the investment properties held at fair value are generally determined based on a valuation approach which applies an investment yield to the rental income. For properties with long-term leases, a discounted cash flow approach is used for the valuation of the lease. Please refer to Note 12 for further details.

Changes in accounting policies

2024

The Group has adopted the following amendments to standards which became effective for the annual reporting period beginning on 1 January 2024. The amendments have been issued and endorsed by the UK and have not had a significant impact on the Group's financial statements.

- Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities provides clarity on the classification of debt and other financial liabilities as current or non-current in particular circumstances.
- Amendments to IAS 1 Presentation of Financial Statements: Non-current liabilities with covenants. The amendment clarifies the criteria for classifying liabilities with covenants as current or non-current.
- Amendments to IFRS 16 Leases: Lease liability in a Sale and Leaseback. This narrow scope amendment explains how a seller-lessee accounts for a sale and leaseback after the transaction date and impacts transactions with variable lease payments.
- Amendments to IAS 7 Statement of Cash flows and IFRS 7 Financial instruments Disclosures: Supplier finance arrangements. Requires disclosure of the effects of supplier finance arrangements on their liabilities, cash flows and exposure to liquidity risk.

With the exception of the changes above, the Group has consistently applied its accounting policies to all periods presented in these financial statements.

2023

The Group adopted IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments", including any consequential amendments to other standards, with a date of initial application of 1 January 2023. IFRS 17 brought significant changes to the accounting for insurance and reinsurance contracts. See Note 16 for details of policies, estimates and judgements. IFRS 9 did not have a significant impact on the Group.

Significant new standards or amendments to standards which are not yet effective

IFRS 18 Presentation and disclosure in financial statements

IFRS 18 "Presentation and disclosure in financial statements" will replace IAS 1 "Presentation of financial statements" and is aimed at improving the comparability and transparency of performance reporting. It does not affect the recognition or measurement of items in the financial statements. The standard is effective for the 2027 reporting period and applies retrospectively.

The Group is in the process of reviewing the impact of adoption of IFRS 18, but initial views on the potential implications are as follows:

- The Statement of profit or loss has a defined structure, with grouping items into categories (operating, investing and financing). As PIC is an insurer that invests in assets and services insurance contract liabilities as a main business activity, it is expected that the majority of the income and expenses will fall within operating activities, with the exception of external borrowing costs that will fall within the financing category.
- Management defined performance measures, such as 'IFRS Adjusted operating profit before tax' will now be included in the notes to the audited financial statements, along with a description of the measure, how it is calculated, and a reconciliation to the most similar specified subtotal in IFRS.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

2. Insurance revenue and insurance service results

Insurance revenue

Insurance revenue represents the provision of coverage and other services arising from the group of insurance contracts at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The present value of the sum of the insurance revenue over the life of the contract equates to the premium received, after excluding non-distinct investment components and adjustments for financing.

Insurance revenue consists of:

- The release of the CSM, which represents the unearned profit that the Group will recognise as it provides services for a group of insurance contracts. The CSM is recognised as revenue based on coverage provided in the period;
- The release of the risk adjustment for non-financial risk relating to risks expired, after loss component allocation*;
- Claims and other insurance service expenses for the current period excluding any non-distinct investment component, measured at amounts expected at the beginning of the year, after loss component allocation*;
- Experience adjustments arising from premiums received in the period relating to current and past services; and
- The recovery of insurance acquisition cash flows, recognised on a straight-line basis over the expected coverage period of the group of contracts.

* The loss component release is recognised in insurance service expenses rather than revenue, as it represents the excess of claims and expenses over premium revenue received.

Insurance service expense

Insurance service expenses consist of:

- Actual incurred claims excluding non-distinct investment components;
- Directly attributable insurance service expenses;
- Losses on onerous insurance contracts and reversals of such losses. A group of insurance contracts is onerous if the total fulfilment cash flows and allocation of acquisition costs result in a net cash outflow. The loss is recognised in insurance service expenses immediately and subsequently released as the fulfilment cash flows are realised; and
- Deferral and amortisation of acquisition costs attributable to selling insurance contracts, which is matched by equal and opposite recovery in insurance revenue.

Net expense from reinsurance contracts held

Income and expenses from reinsurance contracts held consists of the following:

- Allocation of reinsurance premiums paid:
  a) Release of the CSM
  b) The release of the risk adjustment for non-financial risk
  c) Expected recoveries and reinsurance service expenses for the current period;
- Recovery of incurred claims;
- Directly attributable insurance service expenses relating to reinsurance contracts and the effect of changes in risk of reinsurer non-performance; and
- Recoveries and reversals of recoveries of losses on onerous underlying contracts (loss recovery components).

Analysis of the total insurance revenue, insurance service expenses, and net expense from reinsurance contracts held recognised in the period is shown in the following table. Further details of the accounting policies and assumptions in relation to insurance and reinsurance contracts are set out in Note 16.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

	2024 £m	2023 £m
Insurance revenue		
Amounts relating to changes in liabilities for remaining coverage		
– CSM recognised for services provided	**245**	219
– Change in risk adjustment for non-financial risk for the risk expired after loss component allocation	**42**	54
– Expected incurred claims and other insurance service expenses after loss component allocation	**2,067**	1,890
– Experience adjustments for premium receipts	**2**	2
Recovery of insurance acquisition cash flows	**26**	22
Total insurance revenue	**2,382**	2,187
Insurance service expense		
Incurred claims	**(1,993)**	(1,835)
Insurance service expenses	**(37)**	(43)
Losses and reversal of losses on onerous contracts	**(75)**	23
Amortisation of insurance acquisition cash flows	**(26)**	(22)
Total insurance service expense	**(2,131)**	(1,877)
Net expense from reinsurance contracts held		
Contractual service margin recognised for services received	**(43)**	(38)
Change in risk adjustment for non-financial risk for risk expired	**(29)**	(40)
Expected net settlements and reinsurance expenses	**(1,710)**	(1,658)
Actual net settlements and reinsurance expenses	**1,697**	1,644
Effect of changes in non-performance risk of reinsurers	**27**	—
Recoveries and reversals of recoveries of losses on onerous underlying contracts	**—**	(16)
Total net expense from reinsurance contracts held	**(58)**	(108)
Total insurance service result	**193**	202

Notes to the financial statements
for the year ended 31 December 2024 (continued)

3. Net financial result

Investment return comprises net gains or losses on financial instruments and investment property measured at Fair value through profit or loss ("FVTPL"). Net gains and losses on financial instruments measured at FVTPL includes interest (and dividend) income. Rental income earned on investment properties is recognised on a straight-line basis. All financial instruments are mandatorily measured at FVTPL, other than repurchase agreement and cash collateral received liabilities which are designated as at FVTPL. An analysis is provided to show investment return relating to assets backing insurance liabilities (underlying assets) and other investments.

Any gains or losses on the early redemption of borrowings measured at amortised cost are recognised within investment return.

Insurance/reinsurance finance income and expenses represent movements in the carrying amount of the group of insurance and reinsurance contracts due to:

- The time value of money (discount unwinding of fulfilment cash flows at current opening rates, and the interest accretion on the CSM at rates locked at inception);
- Changes in financial risk assumptions due to economics (interest rates, index-linked inflation, credit spreads) and changes in non-financial assumptions relating to future service arising from differences between unlocked rates used to discount present value of future cash flows and locked rates used for the CSM.

	Note	**2024 £m**	2023 £m
Investment return – underlying assets			
Net (losses)/gains on financial assets/liabilities mandatorily measured at FVTPL		**(1,203)**	3,196
Net losses on financial liabilities designated as at FVTPL		**(91)**	(31)
Rental income		**18**	10
Net losses on investment property		**(5)**	(35)
Total investment (loss)/return – underlying assets		**(1,281)**	3,140
Investment return – other investments			
Net gains on financial assets/liabilities mandatorily measured at FVTPL		**116**	80
Total investment return – other investments		**116**	80
Loss on redemption of subordinated debt		**(1)**	(10)
Total investment (loss)/return		**(1,166)**	3,210
Net finance income/(expense) from insurance contracts issued			
Interest accreted		**(2,690)**	(2,319)
Effect of changes in interest rates and other financial assumptions		**4,608**	(1,008)
Total net finance income/(expense) from insurance contracts	16	**1,918**	(3,327)
Net finance (expense)/income from reinsurance contracts			
Interest accreted		**121**	107
Effect of changes in interest rates and other financial assumptions		**(374)**	375
Total net finance (expense)/income from reinsurance contracts	16	**(253)**	482
Net financial result		**499**	365

Notes to the financial statements
for the year ended 31 December 2024 (continued)

4. Expenses

Claims and benefits relate to actual insurance contract annuity payments (excluding repayments of investment components).

Losses and reversal of losses on insurance contracts represent the initial recognition of loss components on onerous contracts, in addition to movements in the loss component for assumption changes and the release of the loss component as services are provided.

Investment expenses and other charges include dealing and hedging costs and investment fees payable to investment managers.

Employee costs include wages and salaries, other social security costs and pension costs.

Project costs relate to the implementation of one-off business-wide initiatives.

Other expenses include legal and professional fees, IT costs, depreciation and other costs incurred in operating the business.

The acquisition costs of acquiring new profitable insurance business are deferred within insurance contract liabilities and amortised as insurance service expenses over the life of the related insurance contract.

Expenses can be further analysed into those relating to insurance contracts and other operating expenses that are not directly attributable to selling and servicing insurance contracts.

Expenses directly attributable to reinsurance contracts are presented within the Net expense from reinsurance contracts held.

	2024 £m	2023 £m
Claims and benefits	**1,993**	1,835
Losses and reversal of losses on insurance contracts	**75**	(23)
Investment expenses and other charges	**96**	81
Employee costs	**103**	90
Project costs	**86**	76
Other expenses	**65**	65
Deferral of attributable acquisition costs	**(116)**	(96)
Amortisation of acquisition costs	**26**	22
Total	**2,328**	2,050
Represented by:		
Actual claims and maintenance expenses	**2,105**	1,855
Amortisation of insurance acquisition cash flows	**26**	22
Insurance service expenses	**2,131**	1,877
Other operating expenses	**197**	173
Total	**2,328**	2,050

In addition to the expenses above, the Group incurred £6 million (2023: £8 million) of other operating expenses in relation to reinsurance business, £5 million (2023: £7 million) were deferred as acquisition costs, and £1 million (2023: £1 million) was allocated to maintenance costs.

5. Auditors' remuneration

	2024 £000	2023 £000
Fees payable to the Group's auditor for the audit of the Group's annual accounts	**26**	26
Fees payable to the Group's auditor and its associates for other services:		
Audit of accounts of subsidiaries	**2,284**	3,200
Audit-related assurance services	**265**	254
All other services	**110**	131
Total fees paid to the auditor	**2,685**	3,611

The prior year fee for "Audit of accounts of subsidiaries" includes £0.9 million in relation to the implementation of IFRS 17 "Insurance contracts".

Notes to the financial statements
for the year ended 31 December 2024 (continued)

6. Directors' remuneration, employee costs and headcount

Employee benefits

Defined contribution plans
Pension Services Corporation Limited ("PSC") operates a defined contribution pension plan into which PSC contributes 8% if the employee makes a minimum contribution of 2.5% of qualifying salary. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Statement of comprehensive income in the period during which the related services are rendered by employees.

The costs of Directors and employees of the Group for the year were as follows:

	2024 £m	2023 £m
Wages and salaries	**87**	76
Social security costs	**11**	10
Other pension costs	**5**	4
	103	90

The 13 Directors (2023: 13) who served in the Company during the year received total remuneration of £3 million (2023: £3 million) for their services to the Group. This includes £3 million (2023: £3 million) in respect of services provided to other Group companies. All Directors were employed by or contracted by the Group's service provider.

One Director was provided with a cash alternative in relation to a money purchase pension scheme where their lifetime or annual allowance limit had been reached (2023: one), one Director of the Company was awarded share options during 2024 (2023: one) and one Director exercised share options during 2024 (2023: one).

The amount of remuneration received by the highest paid Director was £1.8 million (2023: £1.7 million). This includes £1.8 million (2023: £1.7 million) in respect of services provided to other Group companies. In addition, the highest paid Director received shares in the Company on maturity of certain share plans and exercised share options during 2024.

The average number of people employed by the Group (including Directors of the Company) during the year, analysed by category, was as follows:

	2024 Number	2023 Number
Employees	**591**	503
Directors	**13**	13

Notes to the financial statements
for the year ended 31 December 2024 (continued)

7. Share-based payment arrangements

Equity settled share-based payment transactions

The fair value on the grant date of equity settled share-based payment awards granted to Directors and employees is recognised as an employee expense, with a corresponding increase in equity, over the vesting period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount recognised as an expense is based on the number of awards that meet the relevant service conditions and non-market performance conditions at vesting date.

Any ordinary shares required to fulfil entitlements under the share-based payment awards are provided by the Pension Insurance Corporation Group Employee Benefit Trust ("EBT"). The EBT is treated as a branch. Any shares purchased by the EBT to fund these awards are accounted for as treasury shares held at cost within the Company and Group shareholders' equity.

When the awards vest and new shares are issued to the participants on exercise, the proceeds received (if any), net of transaction costs, are credited to share capital (par value) and the balance, if any, to share premium. Where the shares transferred to participants on exercise are held as treasury shares by the EBT, the net of the release of the treasury shares and the proceeds received (if any) are credited to retained earnings. On exercise of share awards, the relevant amount in the share-based payments reserve is then credited to retained earnings.

Employer's national insurance contributions in relation to the equity settled schemes are treated as cash settled transactions, with the fair value recognised as an expense over the vesting period that the employees become unconditionally entitled to the related equity award. Until the liability is settled on exercise of options, it is remeasured at fair value, with any changes in fair value recognised in profit or loss for the period.

Analysis of expense recognised in the Statement of comprehensive income:

	2024 £m	2023 £m
Equity settled share-based payment transactions		
Deferred Bonus Share Plan	**7**	7
Long Term Incentive Plan	**2**	1
Total expense recognised for equity settled share-based payments	**9**	8

During the year, cash settled employer's social security costs of £2 million (2023: £1 million) were incurred by the Group, and as at 31 December 2024, total liabilities in relation to cash settled employer's social security cost were £3 million (2023: £3 million).

All schemes contain clawback provisions which allow the PIC Remuneration Committee to reduce or extinguish awards in certain specified circumstances.

Long Term Incentive Plan ("LTIP")

This plan is designed to incentivise key individuals to grow the business and build a sustained and successful future for the Group by rewarding and retaining them through a long-term incentive arrangement. The plan has been in place since 2021 and awards are made on an annual basis, at the Company's discretion. All awards to date are nil cost options, with vesting dependent on performance against a Group Equity Own Funds target, with a Solvency II coverage underpin. The awards vest at the end of a three-year performance period and has a holding period of up to two years from the vesting date.

Prior to 2024, vesting of schemes was dependent on performance against a Market Consistent Embedded Value ("MCEV") target. The recalibration to an Equity Own Funds performance measure for in-flight 2022 and 2023 schemes did not result in a significant change in the number of options expected to vest or in the resultant accounting charge.

	2024 Number of options	2023 Number of options
Outstanding at 1 January	**3,811,150**	2,281,309
Awarded	**1,590,126**	1,546,535
Forfeited	**(757,114)**	(16,694)
Exercised	**(351,041)**	—
Remaining at 31 December	**4,293,121**	3,811,150
Exercisable at 31 December	**33,851**	—
Weighted-average share price at grant/exercise (£)	**4.24**	3.97
Weighted-average remaining contractual life (years)	**8.54**	8.74

Notes to the financial statements
for the year ended 31 December 2024 (continued)

During the year to 31 December 2024, LTIP awards were made on 24 May 2024. As these are nil cost options with non-market-based performance criteria, the key input to determine the fair value of the awards for the IFRS 2 share-based payment charge is the share price at grant date of £4.24 which was determined with the assistance of third party valuation specialists. Awards may be exercised following vesting up to the tenth anniversary of the date of the grant.

Deferred Bonus Share Plan ("DBSP")

This plan is designed to incentivise key individuals to grow the business and build a sustained and successful future for the Group by rewarding and retaining them through a long-term incentive arrangement. The plan has been in place since 2013 and awards are made on an annual basis, at the Company's discretion.

The awards under the DBSP have a three-year vesting period and are in the form of a nil cost option over a number of the Company's ordinary shares.

	2024 Number of options	2023 Number of options
Outstanding at 1 January	**5,839,451**	6,479,449
Awarded	**1,836,390**	1,991,418
Forfeited	**(337,631)**	(21,283)
Exercised	**(2,269,536)**	(2,610,133)
Remaining at 31 December	**5,068,674**	5,839,451
Exercisable at 31 December	**202,142**	645,528
Weighted-average share price at grant/exercise (£)	**4.24**	3.97
Weighted-average remaining contractual life (years)	**8.39**	8.04

The majority of 2024 awards under the DBSP were made on 24 May 2024. As these are nil cost options with no specific performance criteria, the key input to determine the fair value of the awards for the IFRS 2 share-based payment charge is the share price at grant date of £4.24 which was determined with the assistance of third party valuation specialists. Awards may be exercised following vesting up to the tenth anniversary of the date of the grant.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

8. Corporation tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws enacted or substantively enacted at the date of the Statement of financial position together with adjustments to tax payable in respect of previous years. Deferred tax is provided on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes.

The Group's tax charge for the year is:

	2024 £m	2023 £m
Current taxation		
Corporation tax payable for the current year	**53**	29
Total current tax	**53**	29
Deferred taxation		
IFRS 17 transition tax relief	**34**	35
Tax charge	**87**	64

On transition to IFRS 17, a deferred tax asset arose on the reversal of previously taxed profits and is supported by projections of future taxable profits. The deferred tax asset is being recovered over a ten-year period from 1 January 2023.

	2024 £m	2023 £m
Reconciliation of total income to the applicable tax rate		
Profit before taxation	**371**	303
Expected corporation tax at 25% (2023: 23.5%)	**93**	71
Effects of:		
Non-deductible expenses	**2**	—
Tier 1 coupon tax relief	**(8)**	(7)
Tax charge	**87**	64

Factors that may affect future tax charges

Current taxation is provided on taxable profits at the corporation tax rate ruling in the year they are earned, which is 25% for the year ended 31 December 2024.

On 20 June 2023, Finance (No. 2) Act 2023 was substantively enacted. This included legislation to implement the OECD Pillar Two global minimum top-up tax in the UK. The enacted tax legislation in the UK is effective from 1 January 2024, however there is no current or deferred tax impact for the year ended 31 December 2024. The Group is applying the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Under the legislation, the Group is liable to pay a domestic top-up tax for the difference between its global anti-base erosion effective tax rate in the UK and the 15% minimum rate. The Group has assessed the impact of the legislation based on the current version of the rules and HMRC guidance applied to historical financial information. Based on this, and given the Group is only UK based, the Group does not expect to be subject to a top-up tax under these rules. The Group is continuing to review its position in light of the legislation and guidance, and will make the necessary filings with HMRC in 2025 in relation to the 2024 year end.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

9. Dividends

Final dividends on ordinary shares are recognised as a liability in the period in which they have been approved by shareholders of the Company. Interim dividends are recognised when paid.

	Dividend 2024 £m	**Per share 2024 p**	Dividend 2023 £m	Per share 2023 p
Ordinary dividend paid and charged to equity:				
Final 2022 dividend paid in May 2023	**—**	**—**	100	7.5
Final 2023 dividend paid in May 2024	**147**	**11.0**	—	—
Interim 2024 dividend paid in September 2024	**147**	**11.0**	—	—
Special interim dividend paid in September 2024	**106**	**8.0**	—	—
Total dividends	**400**	**30.0**	100	7.5
Dividends received by the Employee Benefit Trust	**(2)**		—	
Total dividends paid to external shareholders	**398**		100	

On 14 March 2025, the Board approved a final dividend for 2024 of 12.0 pence per ordinary share, equivalent to c.£160 million as part of the annual dividend cycle and a special dividend of 15.0 pence per ordinary share, equivalent to c.£200 million. Subject to approval by shareholders, the dividends will be paid on or around 8 May 2025. These dividends for 2024 will be accounted for as an appropriation of retained earnings in the year ended 31 December 2025 and are not included as a liability in the Group Statement of financial position as at 31 December 2024.

10. Property, plant and equipment

Leasehold improvements, furniture and equipment are held at historical cost less subsequent depreciation and impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

- Leasehold improvements – shorter of useful life or lease term
- Office furniture and equipment – 5 years
- Computer equipment – 3 years

Impairment reviews are undertaken where there are indicators that the carrying value of an asset may not be recoverable.

2024	**Leasehold improvements £m**	**Furniture and equipment £m**	**Total £m**
Cost			
At the beginning of year	**—**	**—**	**—**
Additions[1]	**19**	**3**	**22**
At end of year	**19**	**3**	**22**
Depreciation			
At the beginning of year	**—**	**—**	**—**
Charge for the year	**—**	**—**	**—**
At end of year	**—**	**—**	**—**
Net book value			
At end of year	**19**	**3**	**22**

1. The additions during the year relate to leasehold improvements and furniture and equipment to fit out the new office building (see Note 11 for further details).

Notes to the financial statements
for the year ended 31 December 2024 (continued)

11. Leases

The Group recognises a right of use asset and a lease liability at the lease commencement date. Right of use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received.

A right of use asset is depreciated on a straight-line basis over the shorter of the lease term and the useful life of the asset.

Right of use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use.

A lease liability is initially measured as the value of expected future lease payments, discounted using the Group's incremental borrowing rate. The incremental borrowing rate is determined using the yield on the Group's external borrowing, adjusted to reflect the terms of the lease.

Lease liabilities are measured at amortised cost using the effective interest method.

Leases under which the Group is a lessee relate primarily to office buildings. Information about the leases is presented below.

The Group has entered into a 15-year lease for its new office building at 22 Ropemaker Street, which commenced in December 2023. The new lease includes an option to extend for a period of five years as well as an option to terminate after ten years. The right of use asset and lease liability have been calculated on the basis that the lease will terminate in December 2033, as the Group is not reasonably certain that the lease period will extend beyond this point. The option to terminate the Cornhill office building leases were exercised during the year and the premises vacated during December 2024, resulting in no lease liability at year end.

Right of use assets

	2024 Office buildings £m	2023 Office buildings £m
Balance at 1 January	**40**	4
Additions	**—**	39
Reassessment of lease term	**1**	—
Depreciation charge for the year	**(6)**	(3)
Balance at 31 December	**35**	40

Lease liabilities

	2024 £m	2023 £m
Balance at 1 January	**40**	9
Additions	**—**	36
Reassessment of lease term	**1**	—
Cash outflow for lease payments	**(4)**	(5)
Interest on lease liabilities	**2**	—
Balance at 31 December	**39**	40

Maturity analysis – contractual undiscounted cash flows	**2024 £m**	2023 £m
Less than one year	**—**	3
One to five years	**23**	16
More than five years	**35**	42
Total undiscounted lease liabilities at 31 December	**58**	61

The Group's potential undiscounted cash flows relating to the lease term beyond the termination option date are £28 million (2023: £28 million). These have not been included in the 31 December 2024 liabilities above.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

12. Investment properties

Investment properties are not for occupation by the Group, but are held for rental income and capital appreciation. Investment properties are carried at fair value, with changes in fair value included in the Statement of comprehensive income. In the early period of construction of an investment property, if there are circumstances where fair value is not reliably measurable, the investment property is measured at construction cost until fair value becomes reliably measurable.

Properties are valued annually with the input of professional external valuers using the Royal Institution of Chartered Surveyors ("RICS") guidelines. The RICS guidelines apply separate assumptions to the value of the land, buildings and tenancy associated with each property.

Valuations also consider changes in market conditions and the status of the tenants in determining whether a full physical inspection is required each year. Properties are generally fully inspected as part of the valuation process at least once every three years.

	2024 At cost £m	**2024 At fair value £m**	**2024 Total £m**
At beginning of year	**14**	**649**	**663**
Additions	**13**	**155**	**168**
Disposals[1]	**—**	**(21)**	**(21)**
Transfer of properties under construction from cost to fair value	**(27)**	**27**	**—**
Change in fair value during the year	**—**	**(5)**	**(5)**
At end of year	**—**	**805**	**805**

	2023 At cost £m	2023 At fair value £m	2023 Total £m
At beginning of year	55	189	244
Additions	66	411	477
Disposals[1]	—	(28)	(28)
Transfer of properties under construction from cost to fair value	(107)	107	—
Change in fair value during the year	—	(30)	(30)
At end of year	14	649	663

1. Relating to a portfolio of properties acquired during 2023 under an insurance buy-in contract that have been disposed of in the year. The gain on disposal, net of transactions costs, was £1 million in 2024 (2023: gain of £2 million).

The Group's holdings in investment properties relate to retail, office, residential and affordable housing properties held via Guernsey registered property unit trusts or UK-based limited partnerships. All properties are located in the United Kingdom.

The market value of the investment properties held at fair value is generally determined based on a valuation approach which applies investment yield to the rental income. The investment yield is derived from available transactional evidence of similar rental units considering the property-specific factors such as its location, the unexpired term, current rent, size of the unit and other factors. For investment properties under construction, the estimated valuation upon completion is adjusted for future costs to complete and a risk margin. Due to the unobservable inputs, investment properties are classified as Level 3 in the fair value hierarchy.

In some circumstances, a combination of valuation approaches is used for a single property, applying a discounted cash flow approach for the long-term lease element (where the long-term cash flows are with a single lessee counterparty, similar in nature to a private loan), with the residual value of the property at the end of the lease determined using an investment yield approach.

Significant assumptions used in the valuation of the Group's investment properties include:

	2024	2023
Investment yield	**Range from 5.88% to 7.27%**	Range from 6.03% to 6.82%
Rental value per square foot	**Range from £31.06 to £46.42**	Range from £29.93 to £46.32
Discount rate for long-term leases	**Range from 6.20% to 6.24%**	Range from 5.30% to 5.53%

Notes to the financial statements
for the year ended 31 December 2024 (continued)

The following table shows the effect of assumption changes on the fair value of investment properties:

	2024		2023	
Sensitivity	**Change in fair value £m**	**Change in fair value £m**	Change in fair value £m	Change in fair value £m
+/- 50 bps change in investment yield	**(50)**	**56**	(66)	81
+/- 10% change in rental value per square foot	**83**	**(69)**	69	(70)
+/- 100 bps change in discount rate for long-term leases	**(17)**	**20**	(18)	20

Rental income received in relation to these properties of £18 million (2023: £10 million) is shown within investment return in Note 3.

13. Financial assets and financial liabilities

Financial investments, derivatives and other financial assets/liabilities

Derivative financial instruments are always mandatorily measured FVTPL. All other financial assets are also mandatorily at FVTPL, due to the Group's fair value business model. Repurchase agreement and cash collateral liabilities are designated at FVTPL, as their performance is managed and evaluated on a fair value basis. Cash and cash equivalents are measured at amortised cost.

Financial instruments at FVTPL are initially recognised at fair value in the Statement of financial position, with transaction costs and any subsequent change in fair value taken directly to the Statement of comprehensive income. The carrying values of financial instruments at FVTPL are inclusive of accrued interest.

Joint ventures are entities in which the Group has an investment where it, along with one or more other shareholders, has contractually agreed to share control of the business and where the major decisions require the unanimous consent of the joint partners. Investments in joint ventures that are managed at fair value as part of the Group's portfolio of financial investments, and are unrelated to the Group's core insurance business, are classified as financial investments at FVTPL.

Receivables and payables

Receivables are carried at amortised cost net of provisions for lifetime expected credit losses ("ECLs"), where appropriate. The Group does not currently hold any material provisions for ECLs. Payables are carried at amortised cost.

Collateral

In order to meet its contractual obligations, the Group receives and pledges collateral in the form of cash and non-cash assets. Collateral pledged in the form of non-cash assets continues to be recognised in the Statement of financial position, as the Group retains all risks and rewards of ownership. Where collateral pledged by the Group can be sold or repledged by the other counterparty, the asset is presented as a "Pledged" asset in the Statement of financial position. Cash collateral pledged that is not legally segregated from the transferee is derecognised from the Statement of financial position and a financial asset is recognised for the other counterparty's obligation to return the collateral.

Collateral received in the form non-cash assets is not recognised as an asset in the Statement of financial position as the Group does not acquire the economic risks and rewards of ownership. Cash collateral received that is not legally segregated from the Group is recognised as an asset and a corresponding financial liability is recognised for the obligation to return the collateral.

Recognition and derecognition of financial instruments

In order to meet its contractual obligations, the Group receives and pledges collateral in the form of cash and non-cash assets. Collateral pledged in the form of non-cash assets continues to be recognised in the Statement of financial position, as the Group retains all risks and rewards of ownership. Where collateral pledged by the Group can be sold or repledged by the other counterparty, the asset is presented as a "Pledged" asset in the Statement of financial position. Cash collateral pledged that is not legally segregated from the transferee is derecognised from the Statement of financial position and a financial asset is recognised for the other counterparty's obligation to return the collateral.

Collateral received in the form non-cash assets is not recognised as an asset in the Statement of financial position as the Group does not acquire the economic risks and rewards of ownership. Cash collateral received that is not legally segregated from the Group is recognised as an asset and a corresponding financial liability is recognised for the obligation to return the collateral.

Cash and cash equivalents

Cash and cash equivalents consist of cash balances that are repayable on demand including deposits with credit institutions and are integral to the Group's cash management, including any overdrawn balances, and deposits held at call with banks with less than 90 days' maturity from date of acquisition. As at 31 December 2024, the total balance in overdraft was £nil (2023: £nil).

Notes to the financial statements
for the year ended 31 December 2024 (continued)

	2024		2023	
	Fair value through profit or loss £m	**Amortised cost £m**	Fair value through profit or loss £m	Amortised cost £m
Financial assets				
Financial investments				
Debt securities				
– Government bonds	**14,342**	**—**	11,282	—
– Pledged government bonds[1]	**5,489**	**—**	5,677	—
– Corporate bonds	**13,033**	**—**	13,571	—
– Pledged corporate bonds[1]	**2,348**	**—**	2,054	—
– Private investments	**9,382**	**—**	8,353	—
MBS and ABS	**237**	**—**	262	—
ERMs	**1,043**	**—**	1,124	—
Participation in investment schemes	**3,080**	**—**	2,744	—
Participation in liquidity funds	**1,978**	**—**	1,361	—
Deposits with credit institutions[2]	**—**	**—**	421	—
Total financial investments	**50,932**	**—**	46,849	—
Derivative and other financial assets				
– Derivatives	**27,857**	**—**	25,487	—
– Repurchase agreements	**853**	**—**	2,440	—
– Cash collateral pledged	**159**	**—**	50	—
Receivables	**—**	**36**	—	45
Cash and cash equivalents[2]	**—**	**631**	—	312
Total financial assets	**79,801**	**667**	74,826	357
Financial liabilities				
Derivative and other financial liabilities				
– Derivatives	**31,641**	**—**	28,566	—
– Repurchase agreements	**17**	**—**	1,193	—
– Cash collateral received	**1,104**	**—**	1,071	—
Other payables	**—**	**17**	—	16
Borrowings	**—**	**2,062**	—	1,789
Accruals	**—**	**181**	—	189
Total financial liabilities	**32,762**	**2,260**	30,830	1,994

1. Where assets pledged as collateral can be sold or repledged by the counterparty, these have been presented as pledged.
2. For 2024 reporting, the Group has amended the presentation of Deposits with credit institutions. As these are demand deposits, they have been presented within Cash and Cash Equivalents. Comparative information throughout the financial statements has not been restated on the basis that this is a presentational adjustment that would not influence a user's decision making.

	2024		2023	
	Fair value through profit or loss £m	**Amortised cost £m**	Fair value through profit or loss £m	Amortised cost £m
Expected to be recovered in less than one year	**8,832**	**653**	9,220	343
Expected to be recovered after one year	**70,969**	**14**	65,606	14
Total financial assets	**79,801**	**667**	74,826	357

All amounts relating to other payables and accruals are expected to be settled within one year.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

Measurement of financial assets and liabilities

The Group's financial assets and liabilities have been valued using the following methods in accordance with IFRS 13 "Fair Value Measurement".

The fair values of investments quoted in an active market are based on their bid market prices. For unlisted securities and all other financial assets for which there is no active market, the Group establishes fair value using appropriate valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, counterparty and broker valuations, and option pricing models. These assessments are based largely on observable market data.

The specific valuation techniques used for the main classifications of financial assets and liabilities are:

(a) Investments in debt securities, Mortgage-backed securities ("MBS") and Asset-backed securities ("ABS")

The fair value of debt securities is determined by reference to their quoted bid price at the reporting date. Independent quotations are from multiple sources (e.g. exchanges; publicly available trade reporting sources; market quotes from global and regional banks, broker-dealers etc).

Instruments are generally expected to be Level 1 or Level 2, with the Level based on proprietary metric that reflects the relative strength of the recency, quantity and quality of market data inputs used in calculating the price for a particular security at a particular point in time.

Fair values for debt securities, where quoted prices from third parties are not available, are estimated as the present value of future cash flows, discounted at a rate based on yields for comparable quoted bonds, adjusted, where applicable, for illiquidity and idiosyncratic risk. Key factors in determining the overall discount rate for each debt security are internal credit ratings (see Note 18), sector and maturity. Relevant debt securities include infrastructure loans, income strips and other private investment loans in respect of capital projects. Where unobservable inputs do not significantly impact the fair value (i.e. <5%), these are classified as Level 2 within the fair value hierarchy. Otherwise, they are classified as Level 3.

For private investments where quoted prices from third parties are not available, the credit spreads used to derive the discount rates ranged from 0.0% to 6.5% (2023: 0.0% to 6.5%). The unobservable spread adjustment generally ranged from 0.0% to 2.7% (2023: 0.0% to 2.4%).

(b) Equity release mortgages ("ERMs")

ERMs are loans secured against property that are repayable on death or entry into long-term care of the borrower. ERMs can also be repaid early voluntarily by the borrower, in which case an early repayment charge may apply. The fair value of ERMs assets is determined using a mark-to-model approach based on discounting projected future cash flow arising from the loans. In addition to market observable inputs (such as interest and inflation rates), key inputs to the model also include assumptions relating to property price growth and volatility, equivalent spread, mortality, morbidity and early repayment rates, which are not market observable. Due to the significant estimation uncertainty involved in deriving the values, the ERMs are classified as Level 3 assets within the fair value hierarchy. Principal assumptions underlying the valuation of ERMs assets are set out below and sensitivities of the valuations to changes in the key unobservable inputs are disclosed on page 156.

- The loan-by-loan equivalent spread is solved at the point of each loan's inception to equate the present value of the expected cash flows to its face value. Subsequently, each loan's equivalent spread is updated in line with changes in the spread of a reference corporate bond index.
- Projected property values reflect future property growth in line with the Retail Price Index and property volatility of 15% (2023: 15%). These assumptions affect whether the No Negative Equity Guarantees ("NNEG") bite, which restrict the amount recoverable by the Group on repayment of the mortgage to the net sale proceeds of the property.
- Early repayment rates are assumed to be between 2% and 6.5% p.a. (2023: 2% and 6.5%) depending on the projection term, and the loan's term since inception.
- Mortality assumptions are derived using the Continuous Mortality Investigation ("CMI") 2022 mortality improvements (2023: CMI_2022 mortality improvements) and a multiple of the PXA16 mortality tables (2023: PXA16 mortality tables).

(c) Participation in liquidity funds and investment schemes

Holdings are generally valued based on fund manager statements. However, where there is an active programme to dispose of a holding, other market information identified as part of the sale process is also taken into account in the valuation. Participation in liquidity funds are classified as Level 1. Participation in investment schemes are classified as either Level 2 or Level 3 in the fair value hierarchy, depending on the weighting of the classification of the underlying assets held by the fund (if Level 3 assets exceed one-third of the fund value, the fund is classified as Level 3) and the significance of any adjustments made to fund manager statements.

Participation in investment schemes includes investments in property joint ventures with a carrying value of £29 million at 31 December 2024 (2023: £28 million). The investments have been classified with financial investments on the basis that they are managed at fair value as part of the Group's portfolio of financial investments.

The principal input to the fair value of the joint ventures is the underlying fair value of the property assets and, due to unobservable inputs, they are classified as Level 3 within the fair value hierarchy.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

(d) Deposits with credit institutions

The fair value of deposits held with credit institutions represents their cash value in current terms. All deposits are short term and consequently no discounting adjustment is made.

(e) Derivatives

The fair value of foreign exchange forward contracts, futures and swaps is based on market prices, where available. Valuations are based on discounted cash flow techniques with discount rate, inflation and foreign exchange curves derived from market observable information. Whilst derivative contracts may not be readily tradeable, the valuations are generally based on market observable inputs and are classified as Level 2. However, where any unobservable inputs have a significant impact (>5%) on the valuation, the contract is classified as Level 3 within the fair value hierarchy.

(f) Repurchase agreements and cash collateral pledged/received

Repurchase agreements and cash collateral pledged/received are valued based on the discounted cash flows expected to be paid, using an observable market interest rate and have been classified as Level 2 within the fair value hierarchy.

Measurement of fair value

Level 1 assets are those assets for which the fair value has been measured using quoted prices, without adjustment, in an active market.

Level 2 assets are those assets for which the fair value has been primarily measured using observable inputs other than quoted prices included in Level 1.

Level 3 assets are those assets for which no observable data exists in relation to a significant element of the fair value measurement.

The following table analyses the Group's financial investments according to the basis of measurement required by IFRS 13 "Fair Value Measurement":

31 December 2024	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at FVTPL				
Financial investments				
Debt securities				
– Government bonds	**15,139**	**4,663**	**29**	**19,831**
– Corporate bonds	**10,771**	**4,605**	**5**	**15,381**
– Private investments	**—**	**5,666**	**3,716**	**9,382**
MBS and ABS	**8**	**188**	**41**	**237**
ERMs	**—**	**—**	**1,043**	**1,043**
Participation in investment schemes	**—**	**2,109**	**971**	**3,080**
Participation in liquidity funds	**1,978**	**—**	**—**	**1,978**
Total financial investments at FVTPL	**27,896**	**17,231**	**5,805**	**50,932**
Derivative and other financial assets				
Derivative assets	**—**	**27,854**	**3**	**27,857**
Repurchase agreements	**—**	**853**	**—**	**853**
Cash collateral pledged	**—**	**159**	**—**	**159**
Total financial assets at FVTPL	**27,896**	**46,097**	**5,808**	**79,801**
Financial liabilities at FVTPL				
Derivative liabilities	**—**	**(31,641)**	**—**	**(31,641)**
Repurchase agreements	**—**	**(17)**	**—**	**(17)**
Cash collateral received	**—**	**(1,104)**	**—**	**(1,104)**
Total financial liabilities at FVTPL	**—**	**(32,762)**	**—**	**(32,762)**

Notes to the financial statements
for the year ended 31 December 2024 (continued)

31 December 2023 (re-presented)*	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at FVTPL				
Financial investments				
Debt securities[1]				
– Government bonds	11,261	5,668	30	16,959
– Corporate bonds	9,466	6,033	126	15,625
– Private investments	—	4,158	4,195	8,353
MBS and ABS[1]	—	207	55	262
ERMs	—	—	1,124	1,124
Participation in investment schemes	13	1,740	991	2,744
Participation in liquidity funds	1,361	—	—	1,361
Deposits with credit institutions	—	421	—	421
Total financial investments at FVTPL	22,101	18,227	6,521	46,849
Derivative and other financial assets				
Derivative assets[2]	—	25,419	68	25,487
Repurchase agreements	—	2,440	—	2,440
Cash collateral pledged	—	50	—	50
Total financial assets at FVTPL	22,101	46,136	6,589	74,826
Financial liabilities at FVTPL				
Derivative liabilities[2]	—	(28,563)	(3)	(28,566)
Repurchase agreements	—	(1,193)	—	(1,193)
Cash collateral received	—	(1,071)	—	(1,071)
Total financial liabilities at FVTPL	—	(30,827)	(3)	(30,830)

* Re-presented for the improvements to the levelling methodology in 2024. Total financial assets at FVTPL were previously stated as: Level 1 £13,052 million, Level 2 £55,430 million, Level 3 £6,344 million and have been adjusted by: Level 1 £9,049 million, Level 2 £(9,294) million, Level 3 £245 million. Total financial liabilities at FVTPL were previously stated as: 2 £(30,830) million and have been adjusted by: Level 2 £3 million and Level 3 £(3) million. See below for further information regarding the improvements in methodology.
1. The Group has made improvements to the levelling methodology for Debt securities, MBS and ABS in 2024, with the level now based on a proprietary metric that reflects the relative strength of the recency, quantity and quality of market data inputs used in calculating the price for a particular security at a particular point in time. For clarity, 2023 comparatives have been re-presented to align with this new methodology.
2. The Group has made improvements to the levelling methodology for Derivatives in 2024, where unobservable inputs impact the fair value by >5%, these are now classified as Level 3. For clarity, 2023 comparatives have been re-presented to align with this new methodology.

Transfers between levels of the fair value hierarchy

For recurring fair value measurements, the Group's policy is to recognise transfers into and out of fair value hierarchy levels at the end of the year in which the event or change in circumstances that caused the transfer has occurred.

Transfers between Level 1 and Level 2

During the year, £190 million of financial investments were transferred from Level 1 to Level 2 (2023: £1,279 million) and £1,510 million of financial investments were transferred out of Level 2 to Level 1 (2023: 2,520 million).

Transfers between Level 2 and Level 3

During the year, £302 million of financial investments were transferred from Level 2 to Level 3 (2023: £233 million) and £602 million of financial investments were transferred out of Level 3 to Level 2 (2023: £118 million).

Transfers into and out of Level 3 primarily relate to debt securities which are valued using discounted cash flow models. Within the model, interest rate, inflation rate and credit risk assumptions are derived from market data with adjustments applied to ensure they are relevant to the debt securities held by the Group. Where the impact of the adjustments on the value of the debt securities become significant, these securities are classified as Level 3 and transferred from Level 2 to Level 3 at the end of the year. Conversely, where the impact becomes less significant, the securities are classified as Level 2 and transferred out of Level 3 to Level 2.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

Movements relating to Level 3 assets during the reporting period are analysed as follows:

31 December 2024	**Debt securities £m**	**MBS and ABS £m**	**ERMs £m**	**Participation in investment schemes £m**	**Derivative assets £m**	**Total £m**
Opening balance	**4,351**	**55**	**1,124**	**991**	**65**	**6,586**
Unrealised losses on assets held at the end of the year	**(400)**	**(1)**	**(60)**	**(68)**	**—**	**(529)**
Gains/(losses) on assets sold in year	**18**	**1**	**61**	**(5)**	**—**	**75**
Acquisitions in year	**187**	**—**	**20**	**334**	**—**	**541**
Transfers into Level 3	**302**	**—**	**—**	**—**	**—**	**302**
Transfers out of Level 3	**(540)**	**—**	**—**	**—**	**(62)**	**(602)**
Disposals in year	**(168)**	**(14)**	**(102)**	**(281)**	**—**	**(565)**
Closing balance	**3,750**	**41**	**1,043**	**971**	**3**	**5,808**

31 December 2023 (re-presented)*	Debt securities £m	MBS and ABS £m	ERMs £m	Participation in investment schemes £m	Derivative assets and liabilities £m	Total £m
Opening balance	3,577	34	1,013	637	180	5,441
Unrealised gains/(losses) on assets held at the end of the year	84	1	93	(50)	(39)	89
(Losses)/gains on assets sold in year	(3)	—	51	42	—	90
Acquisitions in year	969	2	233	368	—	1,572
Transfers into Level 3	130	21	—	82	—	233
Transfers out of Level 3	(42)	—	—	—	(76)	(118)
Disposals in year	(364)	(3)	(266)	(88)	—	(721)
Closing balance	4,351	55	1,124	991	65	6,586

* Re-presented for the improvements to the levelling methodology in 2024.

The following table shows the effect on the fair value of Level 3 financial instruments from changes in key assumptions.

31 December 2024	Sensitivity	**Current fair value £m**	**(Decrease)/ increase in fair value £m**	**Increase/ (decrease) in fair value £m**
Debt securities				
Government bonds	+/- 100 bps credit spread	**29**	**(2)**	**—**
Corporate bonds	+/- 100 bps credit spread	**5**	**—**	**—**
Private investments	+/- 100 bps change in credit spread adjustment	**3,716**	**(429)**	**532**
MBS and ABS	+/- 100 bps credit spread	**41**	**—**	**1**
ERMs	+/- 100 bps credit spread	**1,043**	**(106)**	**121**
	+/- 5% change in mortality assumption	**—**	**6**	**(7)**
	+/- 20% change in property prices	**—**	**12**	**(23)**
	+/- 1% change in property growth assumption	**—**	**11**	**(14)**
	+/- 10% change in voluntary redemption assumption	**—**	**4**	**(4)**
Participation in investment schemes	+/- 10% change in valuation	**971**	**97**	**(97)**
Derivatives[1]	+/- 50 bps inflation rates	**3**	**9**	**(8)**
		5,808	**(398)**	**501**

Notes to the financial statements
for the year ended 31 December 2024 (continued)

31 December 2023 (re-presented)*	Sensitivity	Current fair value £m	(Decrease)/ increase in fair value £m	Increase/ (decrease) in fair value £m
Debt securities				
Government bonds	+/- 100 bps credit spread	30	(3)	4
Corporate bonds	+/- 100 bps credit spread	126	(16)	20
Private investments	+/- 100 bps change in credit spread adjustment	4,195	(552)	695
MBS and ABS	+/- 100 bps credit spread	55	—	—
ERMs	+/- 100 bps credit spread	1,124	(113)	128
	+/- 5% change in mortality assumption	—	5	(5)
	+/- 20% change in property prices	—	17	(29)
	+/- 1% change in property growth assumption	—	15	(19)
	+/- 10% change in voluntary redemption assumption	—	5	(5)
Participation in investment schemes	+/- 10% change in valuation	991	99	(99)
Derivatives[1]	+/- 50 bps inflation rates	65	127	(119)
		6,586	(416)	571

* Re-presented for the improvements to the levelling methodology in 2024.

1. To the extent derivatives are held to back policyholder liabilities, any change in the value of derivatives due to changes in inflation rates will be largely offset by equal and opposite impact on insurance contract liabilities. See Note 18 (a) Market risk sensitivities for details.

Collateral

Assets pledged as collateral

The Group pledges/receives collateral in respect of certain securities lending, repurchase agreement, derivative, buy-in and reinsurance contracts. The amount of collateral required is generally determined by the valuation of each contract on a mark-to-market basis and the type of collateral to be deposited is specified within the agreement with each counterparty.

Derivatives and lending arrangements

As explained in Note 14, the Group uses derivative financial instruments as part of its risk management strategy. The Group has collateral agreements with each counterparty based on standard International Swaps and Derivatives Association master netting agreements, which specify minimum thresholds, asset class and credit quality of collateral and the frequency of valuation. Most over-the-counter derivative transactions require collateral to be received or pledged by the Group or its counterparty to mitigate credit risk. Initial margin collateral is transferred on initiation of the derivative trade. The assets are pledged without an outright title transfer and are held by a third party, with title transfer only enforceable following certain specified default events. The second type of collateral arrangement is variation margin, which reflects the market value movement of the trade and is calculated daily. Variation margin collateral is posted on an outright title transfer basis.

The Group also enters into cleared derivative trades, which only require variation margin collateral to be posted as the use of the central clearing party mitigates credit and default risk.

While each party to the contract has a legal right to the collateral received if the counterparty does not meet its obligations, there is no right or intention to settle in the ordinary course of business and, therefore, these agreements do not meet the criteria for offsetting under IAS 32.

The Group returns/receives the collateral received/pledged upon contract termination or settlement. The amount of collateral received/pledged fluctuates due to the changes in fair value of the derivative subject to the minimum thresholds.

Collateral is pledged in the form of securities and cash. The Group retains substantially all the risks and rewards of ownership in respect of non-cash financial assets which have been pledged as security under the terms of derivative contracts and consequently none of these assets have been derecognised in the financial statements. The Group also does not acquire substantially all the risks and rewards of ownership in respect of the transferred securities received as collateral and consequently none of the assets are recognised in the financial statements. Cash collateral pledged is derecognised and a receivable is recognised within other financial assets. Cash collateral received that is not legally segregated from the Group is recognised as an asset and a corresponding liability is recognised for the obligation to return the collateral.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

Under securities lending arrangements, the Group lends/borrows an agreed debt security to/from a counterparty and receives/pledges collateral in the form of eligible, investment grade debt securities as a security against potential counterparty default. The amount of collateral received/pledged fluctuates due to changes in fair value of the securities, subject to the minimum thresholds. Although the initial and variation margin assets are provided with an outright title transfer, the Group retains substantially all the risks and rewards of ownership in respect of the transferred assets and consequently none of these assets have been derecognised in the financial statements. The Group is also not exposed to the risks and rewards of ownership of any assets received and, consequently, none of these assets have been recognised in the financial statements. In circumstances where the Group uses back-to-back repurchase and reverse repurchase agreements to effect securities lending, separate financial assets and liabilities are recognised for the cash receivable and payable under the agreements.

Whilst the Group retains the risk and rewards of ownership of collateral pledged with title transfer for derivatives and lending arrangements, the counterparty is free to use the assets without constraint; however, it is obliged to return equivalent assets. PIC retains the right to replace any of the assets with assets of similar nature.

The Group had pledged and received cash and non-cash collateral assets as follows:

	31 December 2024		31 December 2023	
	Pledged £m	**Received £m**	Pledged £m	Received £m
Derivative transactions	**(7,176)**	**2,088**	(5,735)	1,734
Repurchase agreements	**(17)**	**878**	(1,480)	2,614
Securities lending arrangements	**—**	**—**	(553)	544
Total	**(7,193)**	**2,966**	(7,768)	4,892

None of the collateral held was repledged (2023: £nil).

Buy-ins

Under the terms of certain agreements, security structures are in place which require PIC to transfer legal title to certain assets back to the Trustee as collateral against PIC default.

Under the terms of the agreements, the Trustee is free to use the assets without constraint; however, it is obliged to deliver equivalent assets as well as the income earned and gains or losses incurred on these assets to PIC. PIC retains the right to replace any of the assets with assets of a similar nature.

Collateral is returned to PIC as it services the insured pension liabilities under the policy. In theory, this exposes PIC to counterparty credit risk which is fully mitigated as PIC has a contractual right to offset its obligation to pay under the policy in the event of default by the Trustee. PIC retains substantially all the risks and rewards of ownership in respect of the transferred assets and accordingly PIC continues to recognise the assets which it has pledged under title transfer security in its financial statements. At 31 December 2024, this totalled £2.1 billion (2023: £1.1 billion).

At 31 December 2024, there was no other pledged collateral in relation to buy-ins (2023: £215 million). PIC retains substantially all the risks and rewards of ownership in respect of the transferred assets and accordingly PIC continues to recognise the assets which it has pledged under title transfer security in its financial statements.

Reinsurance

In 2024, the Group has £568 million of financial assets which have been pledged as collateral under the terms of certain reinsurance contracts (2023: £508 million). Substantially, all the risks and rewards of ownership in respect of non-cash assets transferred are retained by the Group and consequently none of these assets have been derecognised in the financial statements.

At 31 December 2024, the Group had pledged cash of £19 million (2023: £28 million) as collateral under the terms of certain reinsurance contracts. This amount includes fee collateral of £16 million (2023: £22 million) in two bank accounts operated by PIC which are designated fee collateral bank accounts in respect of longevity reinsurance agreements. The amount deposited in each account represents a proportion of PIC’s liability for the payment of fees due over the life of each agreement (“fee collateral amount”) and is subject to annual review by each party. PIC retains control of the cash deposited in these accounts; however, it must maintain a balance at least equal to the agreed fee collateral amount and the counterparty has a fixed first charge over the accounts, which gives it the right to withdraw an amount equivalent to its outstanding fees due under the agreement, on the occurrence of certain specified default events.

Where cash collateral is pledged to cover longevity experience directly with the counterparty, the deposit is derecognised and a reinsurance receivable is recognised.

Receivables

Receivables primarily consist of investment settlement receivables and tax recoverable balances.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position only when there is an unconditional and a legally enforceable right to offset the recognised amounts in all circumstances (including the default by, or insolvency or bankruptcy, of the Group and all counterparties), and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Realisation of a financial asset and settlement of a financial liability are treated as simultaneous only when the settlements are executed at the same time, or within a single settlement process or cycle, resulting in no or insignificant credit and liquidity risk.

The Group has no financial assets and financial liabilities that have been offset in the Statement of financial position as at 31 December 2024 (2023: £nil).

The table below contains disclosures related to derivatives and repurchase agreements that are subject to enforceable master netting arrangements or similar agreements. Traditional securities lending arrangements do not result in the derecognition/recognition of assets exchanged and are not included in the tables below.

				Related amounts not offset in the Statement of financial position[1]		
31 December 2024	**Gross amounts of recognised financial assets/ (liabilities) £m**	**Amounts offset in accordance with IAS 32 £m**	**Net amounts as recognised in the Statement of financial position £m**	**Financial (liabilities)/ assets[2] £m**	**Financial instruments (received)/ pledged as collateral[3] £m**	**Net amount £m**
Financial assets						
Derivatives	**27,857**	**—**	**27,857**	**(26,976)**	**(667)**	**214**
Repurchase agreements	**853**	**—**	**853**	**(17)**	**(836)**	**—**
Financial liabilities						
Derivatives	**(31,641)**	**—**	**(31,641)**	**26,976**	**4,665**	**—**
Repurchase agreements	**(17)**	**—**	**(17)**	**17**	**—**	**—**

				Related amounts not offset in the Statement of financial position[1]		
31 December 2023	Gross amounts of recognised financial assets/ (liabilities) £m	Amounts offset in accordance with IAS 32 £m	Net amounts as recognised in the Statement of financial position £m	Financial (liabilities)/ assets[2] £m	Financial instruments (received)/ pledged as collateral[3] £m	Net amount £m
Financial assets						
Derivatives	25,487	–	25,487	(24,694)	(505)	288
Repurchase agreements	2,440	–	2,440	(1,175)	(959)	306
Financial liabilities						
Derivatives	(28,566)	–	(28,566)	24,694	3,872	–
Repurchase agreements	(1,193)	–	(1,193)	1,175	18	–

1. Collateral reported in this table is restricted to the value of the net exposure with the counterparty.
2. Assets and liabilities positions with the same counterparty that have the right to offset on default under a master netting or similar arrangements.
3. Collateral received in the form of financial instruments is not recognised in the Statement of financial position.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

14. Derivative and other financial assets/liabilities

Derivatives and other financial assets and liabilities are initially recognised at fair value on the date on which the contract is entered into and are subsequently remeasured at their fair value.

All contracts are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Net gains or losses arising from changes in the fair value of the financial instruments are recognised immediately in the Statement of comprehensive income within the heading investment return.

A financial liability/asset is recognised for cash collateral received/pledged when the cash is not legally segregated from the Group/counterparty.

The Group enters into a number of inflation rate and interest rate swap agreements during the ordinary course of business as part of its risk management strategy to improve the matching of asset and liability cash flows and to ensure that risk driver sensitivities are aligned across the maturity spectrum.

Currency swaps and forward contracts are entered into to eliminate the majority of the currency risk on financial assets invested in non-sterling-based debt securities where liabilities are denominated in sterling.

Cash collateral pledged/received relates to cash collateral posted on derivative contracts.

	31 December 2024		31 December 2023	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Interest rate swaps	**23,813**	**(25,959)**	21,530	(23,571)
Inflation swaps	**2,938**	**(2,074)**	3,301	(2,326)
Currency swaps	**646**	**(2,897)**	529	(2,273)
Foreign exchange forward contracts	**14**	**(53)**	39	(6)
Total return swaps	**446**	**(658)**	88	(390)
Total derivative position	**27,857**	**(31,641)**	25,487	(28,566)
Repurchase agreements	**853**	**(17)**	2,440	(1,193)
Cash collateral pledged/received	**159**	**(1,104)**	50	(1,071)
Total derivatives and other financial assets/liabilities	**28,869**	**(32,762)**	27,977	(30,830)

The Group uses reverse repurchase agreements to earn additional return on surplus cash. Repurchase agreements are entered into for securities lending purposes, rather than financing, and are back-to-back with a reverse repurchase agreement with the same counterparty, for the same nominal amount and are settled on the same day. They are accounted for as separate financial assets and liabilities for the cash receivable and payable as they are separate legal contracts that are not simultaneously settled and the bond and gilt legs have different risks.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

15. Deferred tax

Deferred tax is provided on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates ruling at the date the timing difference is expected to reverse.

Deferred tax assets are recognised only to the extent that they are regarded as recoverable, that is to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that sufficient future taxable profits will be available against which the asset can be utilised. The recoverability of deferred tax assets has been assessed at each reporting period based on projected future taxable profits arising from the release of CSM as insurance services are provided.

At 31 December 2024, the Group's deferred tax balances calculated in accordance with IAS 12 "Income Taxes" were as follows:

	Asset £m	Total £m
31 December 2024		
Temporary differences	**288**	**288**
31 December 2023		
Temporary differences	322	322

The movement in the deferred tax balance during the year was as follows:

	2024 £m	2023 £m
At beginning of year	**322**	357
Change in net deferred tax asset due to amortisation of transitional adjustment	**(34)**	(35)
At end of year	**288**	322

On transition to IFRS 17, a deferred tax asset arose on the reversal of previously taxed profits and is supported by projections of future taxable profits. The deferred tax asset is being recovered over a ten-year period from 1 January 2023.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

16. Insurance contracts

Contract classification

Insurance contracts are contracts containing significant insurance risk at inception, whereby an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. Policyholder contracts which do not transfer significant insurance risk to the insurer are classified as investment contracts. The Group has classified all its policyholder contracts as insurance contracts, as they contain significant longevity risk.

Contracts held by the Group under which it transfers significant insurance risk (i.e. longevity risk) related to underlying insurance contracts are classified as reinsurance contracts.

The Group's insurance contracts are annuity contracts. Most of the Group's contracts provide a guarantee period for pensions in payment, the ability to take a lump sum on retirement and for deferred policies the ability to take a transfer value. These are all a combination of investment components (payable in all circumstances) and/or refund of premiums. All investment components are considered to be highly interrelated with the insurance component and therefore they are not required to be separated and accounted for as a financial liability. A proportion of the Group's contracts include all risks cover, whereby the Group bears the cost of correcting the contract benefits for certain errors or omissions in the benefit data that may be identified after writing the contracts.

Level of aggregation

Presentation of insurance contracts is at portfolio level, i.e. contracts which have similar risks and are managed together. The Group has a single annuity line of business portfolio. Portfolios are further disaggregated into groups at inception, which become the unit of account for measurement and profit recognition. Insurance contracts are generally grouped at new business contract level for measurement purposes, with the exception of contracts entered into prior to 2016 where the fair value approach has been used. These contracts have been grouped into two units of account as at the date of transition to IFRS 17. One fair value group contains all schemes that would have been profitable if each scheme had been assessed individually, and the other group contains all schemes that would have been onerous if assessed individually. The fair value premium for each group has been calculated using the assumption that it is for a large bulk annuity transaction, resulting in both groups being onerous at the date of transition.

Contract boundaries

The measurement of a contract includes all of the future cash flows within the boundary of the contract. The Group's contracts arise mainly from buy-in contracts where the premium includes a transition to buyout. Therefore, all benefits up to the last possible payment date as well as associated expenses will fall within the contract boundary.

Recognition and derecognition

Groups of insurance contracts are initially recognised from the earliest of:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group is due, or actually received if there is no due date; or
- For a group of onerous contracts, the date the Group is legally committed to the contract.

When a buy-in contract transfers to a buyout, no derecognition event occurs as the buyout terms are specified in the original contract.

Initial measurement

A group of insurance contracts is initially measured using the General Measurement Model as the total of:

(a) The fulfilment cash flows, which comprise: (i) estimates of future cash flows, (ii) an adjustment to reflect the time value of money and the financial risks related to the future cash flows, and (iii) a risk adjustment for non-financial risk (i.e. the compensation for bearing the uncertainty about the amount and timing of the cash flows that arise from longevity and expense risk).

(a) The CSM is a component of the liability for the group of insurance contracts that represents the unearned profit recognised as services are provided over time. The CSM results in no initial profit being recognised for profitable contracts. If the net cash flow is negative, the contract is onerous and a loss is immediately recognised in insurance service expenses. As a result, a loss component of the liability for remaining coverage is created, which determines the amounts subsequently presented in the Statement of comprehensive income as reversals of losses on onerous contracts which are excluded from insurance revenue (see Note 2).

Acquisition costs arising before the recognition of the related insurance contract(s) are recognised as an asset (presented within insurance contract liabilities). The asset is subsequently derecognised and included in the measurement of the related insurance contract(s) on initial recognition.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

Subsequent measurement

The carrying amount of a group of insurance contracts at the end of each reporting period is the sum of:

(a) The liability for remaining coverage comprising: (i) the fulfilment cash flows related to services that will be provided under the contracts in future periods and, (ii) any remaining CSM of the group at that date.

(b) The liability for incurred claims, comprising the fulfilment cash flows for incurred claims that have not yet been paid.

The fulfilment cash flows of groups of insurance contracts are measured at the reporting dates using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk (see Note 16(e) for details). The release of the liability for remaining coverage to revenue for the period is calculated as the expected fulfilment cash flows at the beginning of the period, together with the CSM recognised for coverage provided in the period.

The carrying amount of the CSM at the end of the period is the carrying amount at the start of the period, adjusted for:

- Interest accreted at the locked discount rate at inception of the contract;
- Premium and acquisition cost adjustments relating to future service;
- Changes in fulfilment cash flows that relate to future service of profitable contracts (note that changes relating to current or past service are recognised in profit and loss), calculated at the locked discount rate at initial recognition of the group of contracts; and
- The amount recognised as insurance revenue for the period. The amount of CSM recognised as insurance revenue is based on coverage provided during the period. See Note 16(e) Significant estimates and judgements for details.

For onerous contracts, the Group allocates the following between the loss component and the remaining component of the liability for remaining coverage for the respective group of contracts based on the ratio of the loss component to the fulfilment cash flows relating to the expected future cash outflows:

- Expected incurred claims and expenses for the period;
- Changes in risk adjustment for non-financial risk for the risk expired; and
- Finance income or expenses from insurance contracts issued.

The loss component is updated for changes in the estimation of fulfilment cash flows which relate to future services, for example, from changes to non-financial assumptions. Where decreases in the fulfilment cash flows relating to remaining coverage in subsequent periods reduce the remaining loss component to nil, a CSM is reinstated.

The Group has taken the accounting policy choice to disaggregate the effect of changes in the discount rate on the risk adjustment through insurance finance income or expense and the remaining movement of the risk adjustment recognised in the insurance service result.

See Note 2 for further details of policies in relation to the presentation of the insurance service result in the Statement of comprehensive income.

Foreign currency business

Where groups of contracts have cash flows in more than one currency, there are two potential accounting approaches:

- The group of insurance contracts (including the contractual service margin) is considered to be denominated in a single currency. The single currency might be the currency of the premiums or the currency of the predominant cash flows. Fulfilment cash flows are retranslated as a financial assumption change through insurance finance income and expenses, but the CSM is not subsequently retranslated for changes in exchange rates.
- The group of insurance contracts (including the contractual service margin) is considered to be denominated in multiple currencies, reflecting the currencies of the fulfilment cash flows. Both the fulfilment cash flows and CSM are retranslated for changes in exchange rates.

The Group's policy is to apply a single currency approach where the cash flows of the group of contracts are predominantly (>75%) in a single currency.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

Reinsurance

The same accounting policies as above apply for reinsurance contracts, with the following modifications.

Level of aggregation

Reinsurance contracts are generally grouped at reinsurance contract level for measurement purposes, with the exception of contracts entered into prior to 2016 where the fair value approach has been used. These contracts have been grouped into two units of account as at the date of transition to IFRS 17. One fair value group contains all treaties that would have been net gain if each treaty had been assessed individually, and the other group contains all treaties that would have been net cost if assessed individually.

Contract boundaries

Under reinsurance arrangements, none of the parties involved have unilateral termination rights, so the boundary follows that of the related gross contract.

Initial recognition

The majority of the Group's reinsurance contracts provide non-proportionate cover and are recognised from the earlier of:

- The beginning of the coverage period of the group of reinsurance contracts held; and
- The date when an onerous group of underlying insurance contracts is recognised, if the related reinsurance contract held is entered into at or before that date.

Reinsurance contracts that provide proportionate cover are recognised at the later of the beginning of the coverage period and the initial recognition date of the underlying scheme.

Initial measurement

On initial recognition, the Group measures the estimate of the present value of the expected future cash flows and an adjustment for any expected risk of non-performance by the reinsurer. The risk adjustment for non-financial risk reflects the amount of the risk adjustment on the related insurance contract that is transferred to the reinsurer.

The CSM of a group of reinsurance contracts on initial recognition represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of the fulfilment cash flows, any derecognised assets for cash flows occurring before the recognition of the group and any cash flows arising at that date.

Subsequent measurement

The carrying amount of a group of reinsurance contracts at each reporting date is the sum of:

- The remaining coverage, comprising the fulfilment cash flows that relate to services that will be received under the contracts in future periods and any remaining CSM at that date; and
- The incurred claims, comprising the fulfilment cash flows related to past service.

A reinsurance CSM is held for contracts in either a net gain or net cost position.

Reinsurance of onerous underlying insurance contracts – loss-recovery components

If a reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognised, the Group adjusts the reinsurance CSM of the corresponding reinsurance unit of account to reflect the recovery of the reinsured element of the loss on initial recognition of the onerous underlying contracts. The gain is recognised in the Statement of comprehensive income.

For all reinsurance contracts, adjustments are then subsequently made to the loss-recovery component, or a loss-recovery component is established to reflect subsequent changes in the loss component of the onerous group of underlying contracts, limited to the proportion of the loss component that the Group expects to recover from the reinsurance contracts.

Net expenses from reinsurance contracts

Income and expenses from reinsurance contracts, excluding insurance finance income and expenses, are presented on a net basis as "net expenses from reinsurance contracts" in the insurance service result. See Note 2.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

	Note	**31 December 2024**		31 December 2023	
		Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Insurance contract balances	16a		**44,303**		41,206
Asset for insurance acquisition cash flows	16f		**—**		—
Total insurance contracts			**44,303**		41,206
Expected to be settled more than 12 months after the reporting date			**41,703**		38,943
Reinsurance contract balances	16b	**2,036**		2,321	
Total reinsurance contracts		**2,036**		2,321	
Expected to be recovered more than 12 months after the reporting date		**2,034**		2,286	

The Group uses reinsurance, predominantly longevity swap reinsurance and quota share ("funded") reinsurance, to minimise the risk and uncertainty arising through future longevity experience.

The following reconciliations show how the net carrying amount of insurance and reinsurance contracts changed during the year as a result of cash flows and amounts recognised in the Statement of comprehensive income.

The first reconciliation analyses the movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the Statement of comprehensive income.

The second reconciliation analyses the changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

a. Insurance contracts

i) Analysis by remaining coverage and incurred claims

2024 £m	Note	**Liabilities for remaining coverage**			
		Excluding loss component	**Loss component**	**Liabilities for incurred claims[a]**	**Total**
Opening liabilities		**41,377**	**—**	**(171)**	**41,206**
Changes in Statement of comprehensive income					
Insurance revenue					
Contracts under the fair value approach		**(601)**	**—**	**—**	**(601)**
Other contracts		**(1,781)**	**—**	**—**	**(1,781)**
	2	**(2,382)**	**—**	**—**	**(2,382)**
Insurance service expenses					
Incurred claims and other insurance service expenses		**—**	**(3)**	**2,033**	**2,030**
Amortisation of insurance acquisition cash flows	2	**26**	**—**	**—**	**26**
Losses for the net outflow recognised on initial recognition	16c	**—**	**76**	**—**	**76**
Reversals of losses on onerous contracts		**—**	**(1)**	**—**	**(1)**
	2	**26**	**72**	**2,033**	**2,131**
Investment components and refund of premiums		**(410)**	**—**	**410**	**—**
Insurance service result		**(2,766)**	**72**	**2,443**	**(251)**
Net finance income from insurance contracts	3	**(1,918)**	**—**	**—**	**(1,918)**
Total changes in the Statement of comprehensive income		**(4,684)**	**72**	**2,443**	**(2,169)**
Cash flows					
Premiums received		**7,831**	**—**	**—**	**7,831**
Claims and other insurance service expenses paid, including investment components		**—**	**—**	**(2,449)**	**(2,449)**
Insurance acquisition cash flows		**(116)**	**—**	**—**	**(116)**
Total cash flows		**7,715**	**—**	**(2,449)**	**5,266**
Closing liabilities		**44,408**	**72**	**(177)**	**44,303**

a) Prepayments of claims resulted in a negative liability for incurred claims.

During the year, the Group recognised some onerous new business contracts, resulting in the recognition of a loss component. These contracts are expected to be profitable on a net of reinsurance basis. However, as any related reinsurance contracts were not entered into before or at the same time as the underlying contracts, IFRS does not allow for the recognition of an offsetting loss recovery component at initial recognition.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

2023 £m	Note	Liabilities for remaining coverage: Excluding loss component	Liabilities for remaining coverage: Loss component[a]	Liabilities for incurred claims[b]	Total
Opening liabilities		33,801	16	(91)	33,726
Changes in Statement of comprehensive income					
Insurance revenue					
Contracts under the fair value approach		(598)	—	—	(598)
Other contracts		(1,589)	—	—	(1,589)
	2	(2,187)	—	—	(2,187)
Insurance service expenses					
Incurred claims and other insurance service expenses		—	(1)	1,879	1,878
Amortisation of insurance acquisition cash flows	2	22	—	—	22
Reversals of losses on onerous contracts	2	—	(23)	—	(23)
	2	22	(24)	1,879	1,877
Investment components and refund of premiums		(425)	—	425	—
Insurance service result		(2,590)	(24)	2,304	(310)
Net finance expense from insurance contracts	3	3,319	8	—	3,327
income		729	(16)	2,304	3,017
Cash flows					
Premiums received		6,956	—	—	6,956
Claims and other insurance service expenses paid, including investment components		—	—	(2,384)	(2,384)
Insurance acquisition cash flows		(109)	—	—	(109)
Total cash flows		6,847	—	(2,384)	4,463
Closing liabilities		41,377	—	(171)	41,206

a) Loss components on gross contracts at the beginning of the year were largely offset by loss recovery components on related reinsurance contracts. See Note 16(b) Reinsurance contracts: Analysis by remaining coverage and incurred claims table.
b) Prepayments of claims resulted in a negative liability for incurred claims.

Changes in data and non-financial assumptions reduced the loss component and all of the groups that were onerous as at 31 December 2022 became profitable during 2023. Please refer to Note 16a (ii) for information on changes in estimates.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

ii) Analysis by measurement component

2024 £m	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM: Contracts under fair value approach	CSM: Other contracts	Total
Opening liabilities		**36,008**	**1,228**	**533**	**3,437**	**41,206**
Changes in Statement of comprehensive income						
Changes that relate to current services						
CSM recognised for services provided	2	**—**	**—**	**(32)**	**(213)**	**(245)**
Change in risk adjustment for non-financial risk for risk expired	2	**—**	**(42)**	**—**	**—**	**(42)**
Experience adjustments		**(39)**	**—**	**—**	**—**	**(39)**
Changes that relate to future services						
Contracts initially recognised in the year	16c	**(267)**	**268**	**—**	**75**	**76**
Changes in estimates that adjust the CSM[a]		**(245)**	**17**	**60**	**168**	**—**
Changes in estimates that result in losses and reversal of losses on onerous contracts		**(1)**	**—**	**—**	**—**	**(1)**
Insurance service result		**(552)**	**243**	**28**	**30**	**(251)**
Net finance income from insurance contracts[b]	3	**(1,825)**	**(222)**	**13**	**116**	**(1,918)**
Total changes in the Statement of comprehensive income		**(2,377)**	**21**	**41**	**146**	**(2,169)**
Cash flows						
Premiums received		**7,831**	**—**	**—**	**—**	**7,831**
Claims and other insurance service expenses paid, including investment components		**(2,449)**	**—**	**—**	**—**	**(2,449)**
Insurance acquisition cash flows	16f	**(116)**	**—**	**—**	**—**	**(116)**
Total cash flows		**5,266**	**—**	**—**	**—**	**5,266**
Closing liabilities		**38,897**	**1,249**	**574**	**3,583**	**44,303**

a) Changes in the estimation of the fulfilment cash flows that are taken to the CSM primarily relate to the following non-financial assumption changes:
- Updates to residual risk reserves resulting in a decrease in estimates of future cash flows as well as a corresponding increase in CSM.
- Updates to demographic and expense assumptions, resulting in a decrease in estimates of future cash flows and risk adjustment, and corresponding increase in CSM.

b) Net finance income from insurance contracts reflects economic movements, mainly driven by increases in the risk-free curve and liquidity premium. The unwind of discount on estimates of future cash flows and risk adjustment, and accretion of interest on the CSM are also included.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

2023 £m	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM: Contracts under fair value approach	CSM: Other contracts	Total
Opening liabilities		29,895	1,069	217	2,545	33,726
Changes in Statement of comprehensive income						
Changes that relate to current services						
CSM recognised for services provided	2	—	—	(29)	(190)	(219)
Change in risk adjustment for non-financial risk for risk expired	2	—	(54)	—	—	(54)
Experience adjustments		(14)	—	—	—	(14)
Changes that relate to future services						
Contracts initially recognised in the year	16c	(538)	174	—	364	—
Changes in estimates that adjust the CSM[a]		(863)	(102)	340	625	—
Changes in estimates that result in losses and reversal of losses on onerous contracts[b]		(16)	(7)	—	—	(23)
Insurance service result		(1,431)	11	311	799	(310)
Net finance expense from insurance contracts[c]	3	3,081	148	5	93	3,327
Total changes in the Statement of comprehensive income		1,650	159	316	892	3,017
Cash flows						
Premiums received		6,956	—	—	—	6,956
Claims and other insurance service expenses paid, including investment components		(2,384)	—	—	—	(2,384)
Insurance acquisition cash flows	16f	(109)	—	—	—	(109)
Total cash flows		4,463	—	—	—	4,463
Closing liabilities		36,008	1,228	533	3,437	41,206

a) Changes in the estimation of the fulfilment cash flows that are taken to the CSM primarily relate to the following non-financial assumption changes:
- Updates to the mortality improvement assumptions to reflect the latest version of the CMI projections model, resulting in a decrease in estimates of future cash flow and risk adjustment, as well as a corresponding increase in CSM.
- Updates to other demographic assumptions, resulting in a decrease in estimates of future cash flows and risk adjustment, and corresponding increase in CSM, which was offset by the impact of maintenance expense assumption updates.

b) Changes in estimates that result in losses and reversal of losses on onerous contracts reflect the impact of data updates and non-financial assumption changes on onerous contracts, which reversed losses previously recognised for contracts where the fair value approach has been used.

c) Net finance expense from insurance contracts reflects economic movements, mainly driven by decreases in the risk-free curve and liquidity premium. The unwind of discount on estimates of future cash flows and risk adjustment, and accretion of interest on the CSM are also included.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

b. Reinsurance contracts

i) Analysis by remaining coverage and incurred claims

2024 **£m**	Note	**Assets for remaining coverage** **Excluding loss recovery component**	**Assets for remaining coverage** **Loss recovery component**	**Asset for incurred claims**	**Total**
Opening reinsurance assets		**604**	**—**	**1,717**	**2,321**
Changes in Statement of comprehensive income					
Allocation of premiums paid		**(1,782)**	**—**	**—**	**(1,782)**
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	2	**—**	**—**	**1,697**	**1,697**
Investment components and refund of premiums		**(24)**	**—**	**24**	**—**
Effect of changes in non-performance risk of reinsurers	2	**27**	**—**	**—**	**27**
Net finance expense from reinsurance contracts	3	**(253)**	**—**	**—**	**(253)**
Total changes in the Statement of comprehensive income		**(2,032)**	**—**	**1,721**	**(311)**
Cash flows					
Premiums paid		**1,505**	**—**	**—**	**1,505**
Amounts received		**—**	**—**	**(1,479)**	**(1,479)**
Total cash flows		**1,505**	**—**	**(1,479)**	**26**
Closing reinsurance assets		**77**	**—**	**1,959**	**2,036**

During the year, the Group recognised some onerous new business contracts, resulting in the recognition of a loss component. These contracts are expected to be profitable on a net of reinsurance basis. However, as any related reinsurance contracts were not entered into before or at the same time as the underlying contracts, IFRS does not allow for the recognition of an offsetting loss recovery component at initial recognition.

2023 £m	Note	Assets for remaining coverage Excluding loss recovery component	Assets for remaining coverage Loss recovery component	Asset for incurred claims	Total
Opening reinsurance assets		(340)	9	991	660
Changes in Statement of comprehensive income					
Allocation of premiums paid		(1,736)	—	—	(1,736)
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expense	2	—	—	1,644	1,644
Recoveries and reversals of recoveries of losses on onerous underlying contracts	2	—	(16)	—	(16)
Investment components and refund of premiums		(62)	—	62	—
Net finance income from reinsurance contracts	3	475	7	—	482
Total changes in the Statement of comprehensive		(1,323)	(9)	1,706	374
Cash flows					
Premiums paid		2,267	—	—	2,267
Amounts received		—	—	(980)	(980)
Total cash flows		2,267	—	(980)	1,287
Closing reinsurance assets		604	—	1,717	2,321

As the loss component on onerous underlying contracts reduced to nil and all groups became profitable at the end of 2023, the recovery of losses also reversed, resulting in a corresponding decrease in the loss recovery component balance to nil.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

ii) Analysis by measurement component

2024 £m	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM Contracts under fair value approach	CSM Other contracts	Total
Opening reinsurance assets		**572**	**1,015**	**(116)**	**850**	**2,321**
Changes in Statement of comprehensive income						
Changes that relate to current services						
CSM recognised for services received		—	—	6	(49)	(43)
Change in risk adjustment for non-financial risk for risk expired		—	(29)	—	—	(29)
Experience adjustments		(13)	—	—	—	(13)
Changes that relate to future services						
Contracts initially recognised in the year	16c	7	168	—	(175)	—
Changes in estimates that adjust the CSM[a]		(97)	(17)	26	88	—
Effect of changes in non-performance risk of reinsurers[b]		27	—	—	—	27
Net expenses from reinsurance contracts		**(76)**	**122**	**32**	**(136)**	**(58)**
Net finance expense from reinsurance contracts[c]	3	(111)	(159)	(3)	20	(253)
Total changes in the Statement of comprehensive income		**(187)**	**(37)**	**29**	**(116)**	**(311)**
Cash flows						
Premiums paid		1,505	—	—	—	1,505
Amounts received		(1,479)	—	—	—	(1,479)
Total cash flows		**26**	**—**	**—**	**—**	**26**
Closing reinsurance assets		**411**	**978**	**(87)**	**734**	**2,036**

a) Changes in estimates that adjust the CSM primarily relate to non-financial assumption changes including demographic and expense assumption updates, and data updates.
b) As a result of enhancements to counterparty default methodology and assumptions.
c) Net finance expense from reinsurance contracts reflect economic movements, mainly driven by increases in the risk-free curve and liquidity premium. This line item also includes the unwind of discount on future cash flows and risk adjustment, as well as interest accreted on the CSM.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

2023 £m	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM Contracts under the fair value approach	CSM Other contracts	Total
Opening reinsurance assets		(319)	868	(319)	430	660
Changes in Statement of comprehensive income						
Changes that relate to current services						
CSM recognised for services received		—	—	7	(45)	(38)
Change in risk adjustment for non-financial risk for risk expired		—	(41)	—	—	(41)
Experience adjustments		(13)	—	—	—	(13)
Changes that relate to future services						
Contracts initially recognised in the year	16c	(176)	149	—	27	—
Changes in estimates that adjust the CSM[a]		(551)	(77)	203	425	—
Changes in estimates that relate to losses and reversal of losses on underlying onerous contracts[b]		(14)	(2)	—	—	(16)
Net expenses from reinsurance contracts		(754)	29	210	407	(108)
Net finance income from reinsurance contracts[c]	3	358	118	(7)	13	482
Total changes in the Statement of comprehensive income		(396)	147	203	420	374
Cash flows						
Premiums paid		2,267	—	—	—	2,267
Amounts received		(980)	—	—	—	(980)
Total cash flows		1,287	—	—	—	1,287
Closing reinsurance assets		572	1,015	(116)	850	2,321

a) Changes in estimates that adjust the CSM primarily relate to mortality improvement and other demographic assumption updates.
b) Changes in estimates that relate to losses and reversal of losses on onerous contracts primarily reflect the impact of the data and non-financial assumption changes on onerous contracts, which adjust the loss recovery component. The change in non-financial assumptions resulted in a reversal of losses on onerous underlying contracts that become profitable during the year.
c) Net finance income from reinsurance contracts reflects economic movements, mainly driven by decreases in the risk-free curve and liquidity premium. This line item also includes the unwind of discount on future cash flows and risk adjustment at current rates, as well as interest accreted on the CSM.

c. Contracts recognised in the year

Effect of insurance contracts initially recognised in the year

£m	**2024** **Profitable contracts issued**	**2024** **Onerous contracts issued**	**2024** **Total**	2023 Profitable contracts issued	2023 Onerous contracts issued	2023 Total
Insurance acquisition cash flows	**57**	**59**	**116**	109	—	109
Claims and other insurance service expenses payable	**3,654**	**4,027**	**7,681**	6,290	—	6,290
Estimates of present value of cash outflows	**3,711**	**4,086**	**7,797**	6,399	—	6,399
Estimates of present value of cash inflows	**(3,914)**	**(4,150)**	**(8,064)**	(6,937)	—	(6,937)
Risk adjustment for non-financial risk	**128**	**140**	**268**	174	—	174
CSM	**75**	**—**	**75**	364	—	364
Losses on initial recognition	**—**	**76**	**76**	—	—	—

During the year, the Group recognised some onerous new business contracts, resulting in the recognition of a loss component. These contracts are expected to be profitable on a net of reinsurance basis. However, as any related reinsurance contracts were not entered into before or at the same time as the underlying contracts, IFRS does not allow for the recognition of an offsetting loss recovery component at initial recognition.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

Reinsurance contracts recognised in the year

	2024			2023		
£m	**Contracts initiated without loss recovery component**	**Contracts initiated with loss recovery component**	**Total**	Contracts initiated without loss recovery component	Contracts initiated with loss recovery component	Total
Estimates of present value of cash inflows	**4,920**	**—**	**4,920**	4,772	—	4,772
Estimates of present value of cash outflows	**(4,913)**	**—**	**(4,913)**	(4,948)	—	(4,948)
Risk adjustment for non-financial risk	**168**	**—**	**168**	149	—	149
CSM	**(175)**	**—**	**(175)**	27	—	27
Gain recognised due to onerous underlying contracts	**—**	**—**	**—**	—	—	—

d. Contractual service margin ("CSM")

The following table illustrates when the Group expects to recognise the remaining CSM as revenue. Future interest accretion on the CSM is excluded from the figures below. Also, please refer to Notes 16a (ii) and 16b (ii) for further information on CSM movements.

2024	**Less than 1 year £m**	**1-2 years £m**	**2-3 years £m**	**3-4 years £m**	**4-5 years £m**	**5-10 years £m**	**10-20 years £m**	**More than 20 years £m**	**Total £m**
Insurance	**234**	**226**	**218**	**210**	**202**	**896**	**1,239**	**932**	**4,157**
Reinsurance	**(33)**	**(32)**	**(31)**	**(30)**	**(30)**	**(135)**	**(198)**	**(158)**	**(647)**

2023	Less than 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	5-10 years £m	10-20 years £m	More than 20 years £m	Total £m
Insurance	220	212	205	198	189	844	1,181	921	3,970
Reinsurance	(37)	(36)	(35)	(34)	(34)	(152)	(222)	(184)	(734)

e. Significant estimates and judgements

Fulfilment cash flows

Estimates of cash flows

The Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date in determining the estimated cash flows. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract. These include premiums, benefit payments to policyholders, insurance acquisition cash flows, policy administration and maintenance costs and other costs that are incurred in fulfilling and enhancing the benefits of contracts, such as investment expenses.

Directly attributable acquisition and maintenance costs include the costs of direct functions, such as origination, transitions, operations and investments, dealing and hedging costs related to the acquisition of investments backing policyholder liabilities as well as a portion of overheads. Overheads include an apportionment of functions such as Human Resources, IT, Finance and Risk, as well as premises costs. These costs are only included as directly attributable to the extent they relate to activities carried out to support the direct functions. Cash flows are attributed to acquisition activities, other fulfilment activities and other activities using activity-based techniques and are consistently applied to all costs that have similar characteristics. Strategic and shareholder-related costs, that relate to central corporate activity, as well as the majority of project costs that are one-off in nature, are considered outside the contract boundaries.

Uncertainty in the estimation of benefit payments to policyholders arises primarily from uncertainties regarding long-term changes in mortality rates and other demographic assumptions, future inflation rates and future levels of expenses. Assumptions used to develop estimates for future cash flows are reassessed at each reporting date and adjusted where required.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

Mortality

Best estimate mortality assumptions are used when estimating future cash flows. The Group breaks down mortality into rates today ("base mortality assumptions") and how these rates will change in the future ("future mortality improvements assumptions").

Base mortality assumptions are expressed relative to the Self-Administered Pension Scheme ("SAPS") S3 series tables which were published in 2018 by the Continuous Mortality Investigation ("CMI"), a research body with strong links to the Institute and Faculty of Actuaries. The Group makes several adjustments to reflect how its internal mortality experience differs to the reference population used for the S3 tables, and to allow for policyholder specific mortality rating factors such as postcode and pension amounts.

The Group uses the CMI's mortality projections model (CMI_2022 at year end 2024) to improve S3 mortality rates to the valuation date, and to project future improvements in mortality rates. The CMI_2022 model used by the Group is parameterised using a combination of historical mortality improvement analysis and forward-looking scenarios which utilise external industry studies, wider population mortality trends and emerging longevity science developments.

	Mortality projection model	Mortality table used and adjustments	Adjustments for long-term mortality improvements
2024			
Male	**CMI_2022**	**97% of S3PML with base year 2013**	**1.75%**
Female	**CMI_2022**	**97% of S3PFL/S3DFL with base year 2013**	**1.75%**
2023			
Male	CMI_2022	97% of S3PML with base year 2013	1.75%
Female	CMI_2022	97% of S3PFL/S3DFL with base year 2013	1.75%

Risk Adjustment for non-financial risk

The RA is an amount required within fulfilment cash flows, in addition to the estimate of the present value of future cash flows. It reflects the compensation required for uncertainty in the amount and timing of cash flows that arises from non-financial risks as the insurance or reinsurance contract is fulfilled. The non-financial risks covered by the RA are predominantly longevity risk, including current rates of mortality and future improvements in mortality, and expense risk. Other less significant risks covered by the RA include spouse demographic risk, retirement timing risk and cash commutation take-up risk.

The Group uses a confidence interval ("value at risk") approach set at the 85th percentile (2023: 85th percentile) over one year, representing the possibility that the present value of the future cash flows could increase under certain adverse scenarios. Estimates of reasonably possible outcomes are made using probability distributions and risk correlations underlying the Group's Solvency II Internal Model, and taking into account the degree of diversification benefits. The risk adjustment for reinsurance is calculated as the difference between the risk adjustment on a gross basis before allowance for reinsurance cash flows less the net risk adjustment calculated after allowance for reinsurance cash flows.

The net of reinsurance RA measured over the remaining lifetime corresponds to a 69% confidence level (2023: 70%). This has been determined in line with the run-off profile of the Group's business and the underlying non-financial risks.

Financial assumptions

The Group considers discount rates, index-linked inflation and exchange rates on foreign currency business as financial assumptions.

i) Discount rates

The present value of future cash flows and the RA are discounted to reflect the time value of money and the illiquidity inherent in the liabilities. As liability discount rates are not observable, an appropriate discount rate has been set by considering the yield on a portfolio of assets (a "reference portfolio") that reflects the characteristics of the liabilities. The yield is then adjusted to remove features that are not relevant to the liabilities (a "top down" approach). The Group holds assets in a matching fund with the aim of meeting liability cash flows. It is considered that these assets represent a reasonable reference portfolio for the IFRS 17 discount rate. In circumstances where there is a time lag between the receipt of the premium and subsequent investment in the anticipated portfolio of assets, the reference portfolio used to determine the discount rate includes an adjustment to reflect the anticipated assets.

An adjustment is made to the asset yield to remove the impact of expected credit risk and any remaining cash flow mismatches. The credit adjustment has been set based on historic average default rates and allows for expected recovery rates in the event of default.

Whilst the Matching Adjustment fund assets are held to meet the liabilities as they fall due, there is inevitably a small level of cash flow mismatch. An adjustment is made for reinvestment/disinvestment of cash flows as required.

The liabilities are discounted by a fixed addition over the risk-free swap curve.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

	2024	2023
Yield on assets in reference portfolio	**6.3%**	5.5%
Adjustment for credit risk and cash flow mismatches	**(0.4%)**	(0.5%)
Liability discount rate	**5.9%**	5.0%
Expressed as a spread over risk-free swap rates	**1.7%**	1.6%

Risk-free swap rates are obtained based on the prices of market swap rates up to 60 years (2023: up to 60 years), following which the curve is set to trend towards an ultimate forward rate of 3.30% (2023: 3.45%), using a Smith-Wilson approach.

The GBP yield curve that is used to discount the estimates of future cash flows is as follows:

	2024					2023				
Tenor (years)	**1**	**5**	**10**	**20**	**30**	1	5	10	20	30
Rate (%)	**6.2%**	**5.8%**	**5.8%**	**6.0%**	**6.0%**	6.3%	5.0%	4.9%	5.0%	5.0%

As the Group writes new business and enters into new reinsurance, the assets will be selected to optimise portfolio returns and capital, so are different to assets already held in the reference portfolio. The new business and new reinsurance discount rates are based on market conditions and the anticipated portfolio of assets to support the new group at the initial recognition date, with adjustments to remove the impacts of credit risk and any cash flow mismatch. During 2024, new business and new reinsurance discount rates that have been used to set the initial CSM and loss component averaged 5.2% (2023: 5.4%). The assets within the reference portfolio change over time. This is due to differences between assets being bought in connection with new business and any anticipated assets, improving cash flow matching with liabilities, concerns over credit risk and to improve capital efficiency.

The fulfilment cash flows accrete interest using current discount rates. The CSM accretes interest using the locked discount rate at inception of each group of contracts.

ii) Inflation

Inflation assumptions are relevant to the projection of future policyholder benefits and expenses. Most policyholder benefits are linked to a type of Limited Price Indexation ("LPI"), with other benefits linked to the Retail Price Index ("RPI") or the Consumer Price Index ("CPI"). The assumption for expected future RPI inflation is based on a curve derived from the market prices of inflation-linked swap contracts. The CPI inflation assumption is also derived from this curve, with an additional term-dependent allowance for the expected gap between CPI inflation and RPI inflation. For LPI linked annuities, which are generally subject to maximum and minimum percentage annual increases, a mark-to-model approach is used to derive inflation assumptions that allow for the inherent optionality, as there is currently no deep and liquid market in appropriate swap contracts. Around three quarters of the Group's gross benefit payments are linked to inflation, of which the substantial majority have a cap or floor on indexation.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

Contractual service margin

The CSM for a group of insurance contracts is recognised as insurance revenue in each period based on the number of coverage units provided in the period. This is determined for each group by considering the quantity of the benefits provided to the policyholder and the expected coverage duration. The Group applies the "annuity payment method" for determining coverage units, as annuity payments made are reflective of the quantity of benefits provided.

The total number of coverage units provided in the period to retired policyholders is the expected annuity payments, including allowance for benefit inflation where payments contractually increase with inflation. Annuity payments are considered a suitable proxy for investment return service provided during annuity payment guarantee periods (typically five years), as this aligns with the insurance coverage measure and avoids more complex alternatives that are not necessarily any more meaningful.

For policyholders who have not yet retired, the total number of coverage units over the life of the contract (i.e. in the periods both before and after retirement), is a weighted combination of the following three types of coverage units:

- the potential amount that might be paid to spouses if the annuity should come into payment on the death of the first life in the deferred period. This reflects insurance provided in the deferred period;
- the expected investment return on the transfer value that the policyholder is eligible to take in the deferred period. This is considered appropriate as it reflects the investment activities that PIC performs to generate investment return and protect policyholder benefits; and
- the expected annuity payments made to policyholders from retirement. This is consistent with coverage units of retired policyholders.

The number of coverage units provided in the deferred period is equal to the sum of the first two types of coverage unit only, and the number of coverage units provided once the policyholder has retired is equal to the third type of coverage unit only. This weighted combination reflects management's view that the value of services relating to each type of coverage unit are broadly comparable to each other.

The total number of remaining coverage units until the end of the contract is discounted using rates locked at inception of the contract.

An analysis of the expected timing of the allocation of the CSM to profit or loss is disclosed in Note 16(d).

Loss components and loss recovery components

Loss components are systematically released over time as the related fulfilment cash flows leading to the loss are incurred, based on a loss component proportion, equal to the loss component divided by the present value of fulfilment cash flows. The related reinsurance loss-recovery component is released on a similar basis.

Foreign currency business

A limited number of groups have a small proportion of Euro-denominated liabilities, where a single currency approach is applied.

f. Acquisition costs

Costs incurred in the acquisition of new business which has not been written yet can be analysed as follows:

	2024 £m	2023 £m
Opening balance	**—**	13
Expenses incurred during the period	**116**	96
Amounts allocated to contracts recognised in the period	**(116)**	(109)
Net closing balance	**—**	—

Notes to the financial statements
for the year ended 31 December 2024 (continued)

17. Borrowings

Borrowings are recognised initially at fair value, which is the cash consideration received net of transaction costs incurred. Borrowings classified as liabilities are subsequently stated at amortised cost. The difference between the net proceeds and the redemption value is recognised in the Statement of comprehensive income over the borrowing period using the effective interest method.

Subordinated loan notes				2024		2023	
Par amount	Issue date	Maturity date	Coupon	**Carrying value £m**	**Fair value £m**	Carrying value £m	Fair value £m
£300m*	3 Jul 2014	3 Jul 2024	6.5%	**—**	**—**	203	203
£250m*	23 Nov 2016	23 Nov 2026	8.0%	**26**	**28**	47	50
£350m	20 Sep 2018	20 Sep 2030	5.625%	**349**	**345**	348	336
£300m	7 May 2020	7 May 2031	4.625%	**299**	**283**	299	267
£400m	21 Oct 2020	21 Oct 2032	3.625%	**398**	**335**	397	325
£500m	13 Nov 2023	13 Nov 2033	8.0%	**495**	**543**	495	538
£500m	15 May 2024	15 Nov 2034	6.875%	**495**	**506**	—	—
Total				**2,062**	**2,040**	1,789	1,719

* The carrying values of loan notes maturing in 2024 and 2026 have reduced to £nil and £26 million following their full and partial redemption respectively.

On 15 May 2024, PIC issued £500 million of subordinated loan notes, maturing in 2034, with a fixed coupon of 6.875% paid annually in arrears. These notes were issued at 99.7% of par. Following the issue, PIC redeemed £203 million of the 2014 debt issue and £21 million of the 2016 debt issue for a total cost of £225 million.

All notes represent direct, unsecured and subordinated obligations of PIC, and are classified as qualifying dated Tier 2 securities for the purposes of regulatory capital requirements. The notes are listed on the London Stock Exchange.

The fair value is the quoted price of the loan notes. The loan notes have been classified as Level 2 in the fair value hierarchy.

Finance costs comprise the interest expense on borrowings, which is calculated using the effective interest method. For the year ended 31 December 2024, transaction and interest expenses of £120 million (2023: £91 million) were recognised in the Statement of comprehensive income in respect of the notes.

The table below provides a reconciliation between opening and closing borrowings:

	2024 £m	2023 £m
At beginning of year	**1,789**	1,592
Amortisation	**2**	2
Additions	**495**	495
Redemptions	**(225)**	(310)
Loss on redemption of subordinated debt	**1**	10
At end of year	**2,062**	1,789

Notes to the financial statements
for the year ended 31 December 2024 (continued)

18. Risk management

As a provider of insurance solutions to defined benefit pension schemes, the Group's business involves the acceptance and management of risk to achieve its strategic objectives.

The principal risk factors which affect the Group's operating results and financial condition include financial risks such as solvency and liquidity (impacted by market risk, credit and counterparty risk and insurance risk), operational risk, conduct risk and franchise value risk and climate change risk. Other risks are also detailed within this section.

The Directors have overall responsibility for the management of the exposure to these risks. They are supported through the formal committees of the PIC Board including the Investment and Origination Committee, Audit Committee, Nomination Committee, Remuneration Committee, Risk Committees and Customer Committee. The membership of these committees is mainly comprised of Non-Executive Directors. Executive Directors and relevant senior management attend meetings as requested. The Board retains direct responsibility for reputational risk. The PIC Board has instigated a coordinated approach between the Risk, Compliance, Actuarial and Internal Audit functions to provide integrated assurance in the monitoring of the internal risk and control environment.

The management and control of the Group's risks is a significant focus area for the Board, as an uncontrolled and unmanaged development in various risks may affect the Group's performance and capital adequacy. The Group's risk preferences define the Board's appetite towards taking different types of risks which the Group may be exposed to in pursuit of its strategic objectives. Risks are categorised as those the Group actively seeks, those the Group accepts and those the Group seeks to limit or minimise. The Group aims to minimise its exposure to risks such as interest rate risk and inflation risk, which are expected to carry little reward for the Group over the long term.

The Group uses derivatives for the purpose of efficient portfolio management or to reduce risk in aspects of the Group's investment activities such as the implementation of tactical asset allocation changes around the strategic benchmark, the hedging of cash flows and the control of the risk profile of an identified strategy. The Group uses cross-currency swaps, forward exchange contracts and futures for these purposes. It also uses interest and inflation rate swaps for the purpose of matching assets and liabilities.

(a) Market risk

Market risk is the risk of changes in the value of assets and liabilities caused by market movements, downgrades and defaults.

The Group is exposed to market risk because of fluctuations in values of asset and liabilities which are influenced by one or more external factors. These include changes and volatility in interest rates, credit spreads, inflation expectations, currency exchange rates, property prices, fund values, and the market risk implications of climate change.

The Group's hedging strategy is set by the Board and a Management Committee meets weekly to oversee and manage interest rate, inflation and foreign exchange risks in line with the hedging strategy and within clearly defined limits. The Group manages market risk through an asset liability management ("ALM") framework that has been developed to closely match the investment portfolio's duration and income to its obligations under insurance contracts. The Group uses derivative financial instruments to reduce market risk.

Capital is held to further protect the Group against crystallisation of market risks. Stress testing of the solvency position is conducted to ensure a suitable solvency buffer is maintained.

Interest rate risk arises from the mismatch between assets and liabilities which are discounted at the risk-free rate. Interest rate swaps are entered into to improve the matching of asset and liability cash flows and to ensure that risk driver sensitivities are aligned across the maturity spectrum.

Inflation risk arises from the index-linked nature of the liabilities. Inflation swaps are entered into to improve the matching of asset and liability cash flows and to ensure that risk driver sensitivities are aligned across the maturity spectrum. Bilateral assets and bonds are also used to improve inflation matching where contractual features of the assets include inflation linkages. The quality of the interest rate and inflation matching strategies is carefully monitored by management, and is operated within tightly defined limits.

Currency risk arises from the mismatch between the currencies of assets and liabilities. Currency forwards and swaps are entered into to eliminate the majority of the currency risk on financial assets invested in non-sterling-based debt securities where liabilities are denominated in sterling.

The Group is exposed to changes in credit spreads on its asset portfolio, principally through its holding of fixed income assets. The use of cash flow matching and the recognition of Matching Adjustment partially mitigates this risk. Credit spread risk is an integral part of the business model of the Group.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

The Group accepts property risks directly through investment in equity release mortgages and real estate assets (including Build-to-Rent). Significant due diligence is undertaken for property construction projects, including an assessment of third parties (e.g. construction contractors). Property risk inherent in equity release mortgages is mitigated through underwriting criteria, maximum loan to value ratios, and legal requirements such as for properties to be insured. Short-term investment property risk is mitigated by entering into long-term lease arrangements. The Group performs regular reviews of both the movement in the property market specific to these properties and the financial status of the tenants.

In addition, the Group has indirect exposure to the property market within the corporate bond portfolio, for example through investments in social housing and student accommodation. The credit rating (and therefore value) of these bonds may be impacted by property risk events.

Further asset exposures include investments in hedge funds, insurance-linked funds and public finance initiative-related debt, including social housing. Where appropriate, the management of these alternative exposures is delegated to specialist fund managers, in line with defined investment management mandates. In all cases, the Group ensures regular oversight of the investment management activities, and maintains detailed risk models for all investment types, incorporating analysis of alternative investments in its risk and capital assessment.

Sensitivity analysis

The following table provides information on the sensitivity of the Group's profit and equity to market movements:

31 December 2024 £m	**Interest rates +100 bps**	**Interest rates -100 bps**	**Inflation rates +50 bps**	**Inflation rates -50 bps**	**Credit spreads +100 bps**	**House price index increase 10%**	**Exchange rate**
Change in financial investments	**(3,981)**	**4,679**	**1,651**	**(1,530)**	**(2,262)**	**7**	**28**
Net change in insurance contracts	**3,648**	**(4,354)**	**(1,490)**	**1,470**	**2,351**	**(6)**	**(30)**
Net change in CSM	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Pre-tax change in profit	**(333)**	**325**	**161**	**(60)**	**89**	**1**	**(2)**
Post-tax change in profit and equity	**(250)**	**244**	**120**	**(44)**	**67**	**1**	**(2)**

31 December 2023 £m	Interest rates +100 bps	Interest rates -100 bps	Inflation rates +50 bps	Inflation rates -50 bps	Credit spreads +100 bps	House price index increase 10%	Exchange rate
Change in financial investments	(3,691)	4,367	1,478	(1,360)	(2,736)	9	23
Net change in insurance contracts	3,458	(4,188)	(1,485)	1,359	2,610	(6)	(26)
Net change in CSM	—	—	—	—	—	—	—
Pre-tax change in profit	(233)	179	(7)	(1)	(126)	3	(3)
Post-tax change in profit and equity	(178)	137	(5)	(1)	(96)	2	(2)

The movement in the sensitivities compared to the prior year reflects the different asset and insurance portfolios as at 31 December 2024 compared to 31 December 2023, as well as the level of interest rates and other economic conditions. Improvements in the modelling of inflation stresses have also been implemented as at 31 December 2024, which better reflect the asymmetry between assets and liabilities under an instantaneous stress. This has increased the impact of the positive inflation rate sensitivity by c.£20 million and decreased the impact of the negative inflation rate sensitivity by c.£50 million when compared to the previous modelling approach.

The Group hedges the Solvency II position rather than the IFRS result, so the positioning of the hedging portfolio at a given point in time can lead to consequential volatility in the IFRS result. In particular, the interest rate and inflation sensitivities are the net result of significant and broadly offsetting movements in liabilities, assets backing liabilities and surplus assets. The inflation sensitivity is affected by the level of inflation curves as well as the overall hedging in place. The market conditions used to derive the CSM are locked at policy inception, and so the CSM is not impacted under the economic sensitivities.

The sensitivities to credit spreads and the house price index as at 31 December 2024 are broadly symmetric to the equivalent decrease in credit spreads and the house price index. Improvements in the granularity of the modelling of the credit spreads stress have been implemented as at 31 December 2024. This improved modelling demonstrates that the sensitivity to credit spreads stress has a more positive impact of c.£185 million on the post tax change in profit and equity than under the previous modelling approach. The exchange rate sensitivity is based on a weakening of the US dollar and Euro against sterling by 1%. The impact on assets and liabilities is broadly linear to further weakening of exchange rates.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

The key assumptions, methodology and limitations of the sensitivity analysis are as follows:

- The effects of the specified changes in factors are determined based on the year end financial instrument values. The level of movements in market factors on which the sensitivity analyses are based is determined based on economic forecasts and historical experience of variations in these factors. The sensitivity analysis is based on the risks to which the Group is exposed at the end of the reporting period, and reflects the changes in relevant risk variables that are reasonably possible at this date and over the next reporting period. The sensitivities used are based around the core assumptions in the financial statements rather than considering more extreme scenarios.
- Each entry in the sensitivity table demonstrates the effect of a change in a single key assumption while other assumptions remain unchanged. However, the occurrence of a change in a single market factor will often lead to changes in other market factors. In particular, the Group's use of derivatives is designed to ensure that its exposure to interest rate and inflation risks is carefully managed.

(b) Credit risk

Counterparty default risk, classified internally as credit risk, is the risk of changes in the value of credit risk sensitive instruments due to movements in mark-to-market value, downgrades or defaults.

Credit risk exposure

The Group is primarily exposed to credit risk through its investment in debt securities. A significant proportion of the asset portfolio is comprised of corporate and government bonds and private debt held to back annuity liabilities. Credit risk also arises in respect of derivative contracts and reinsurance arrangements to the extent that there is the potential for the counterparties to default on their obligations.

Credit risk management and mitigation

The Group manages exposure to credit risk by maintaining a comprehensive due diligence and governance process for assessing and selecting appropriate credit risks to acquire. Counterparty risk is controlled through establishment of collateral agreements and master netting agreements on interest rate and currency swaps. Minimum credit quality requirements are applied when selecting derivative and reinsurance partners to transact with and exposure limits are determined based on credit ratings and projected exposure to losses on default. To manage the credit risk the Group maintains, the credit portfolio and exposure to counterparties are monitored on a regular basis, and capital is held to further protect against crystallisation of credit risk. Some reinsurance contracts will also have collateral arrangements to manage risk.

Credit risk concentration

The Group manages credit concentration risk by placing concentration limits for various characteristics (e.g. sectors, credit rating, geographical) and on exposures to individual counterparties. Capital is held to protect against the additional potential impact of concentrations within the portfolio in an adverse credit scenario.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

The table below sets out the credit risk exposure and ratings of financial assets which are susceptible to credit risk. The ratings used have been sourced from S&P, Moody's or Fitch, or have been assigned internally where the ratings from these agencies were not available. The remaining unrated assets are not classified by S&P, Moody's, Fitch or internally.

Financial assets by credit rating

31 December 2024	AAA £m	AA £m	A £m	BBB £m[4]	BB or below £m	Unrated £m	Total £m
Financial investments – at FVTPL							
Debt securities[1]							
– Government bonds	221	17,135	1,593	882	—	—	19,831
– Corporate bonds	766	1,042	7,366	6,198	9	—	15,381
– Private investments	120	2,853	3,306	2,935	168	—	9,382
MBS and ABS[2]	20	16	184	17	—	—	237
Equity release mortgages	—	—	—	—	—	1,043	1,043
Participation in investment schemes[3]	—	—	—	—	166	2,914	3,080
Participation in liquidity funds	1,978	—	—	—	—	—	1,978
Total financial investments	3,105	21,046	12,449	10,032	343	3,957	50,932
Other financial assets – at FVTPL							
Derivative and other financial assets	—	—	—	—	—	28,869	28,869
Other financial assets – at amortised cost							
Receivables	—	—	—	—	—	36	36
Cash and cash equivalents	—	267	91	251	—	22	631
Total other financial assets	—	267	91	251	—	28,927	29,536

1. Within Debt securities, there are £307 million AAA rated, £3,752 million AA rated, £4,263 million A rated, £2,915 million BBB rated and £159 million BB or below rated securities, which have been rated using internally assessed credit ratings.
2. Within MBS and ABS, there are £19 million AAA rated and £4 million A rated securities which have been rated using internally assessed credit ratings.
3. Within Participation in investment schemes, there are £166 million BB or below rated schemes, which have been rated using internally assessed credit ratings.
4. Within the BBB rated Financial investments, there are £1,225 million of BBB- rated assets.

31 December 2023	AAA £m	AA £m	A £m	BBB £m[4]	BB or below £m	Unrated £m	Total £m
Financial investments – at FVTPL							
Debt securities[1]							
– Government bonds	354	14,809	755	1,041	—	—	16,959
– Corporate bonds	645	914	6,102	7,932	32	—	15,625
– Private investments	105	2,617	3,312	2,149	170	—	8,353
MBS and ABS[2]	20	7	207	28	—	—	262
Equity release mortgages	—	—	—	—	—	1,124	1,124
Participation in investment schemes[3]	13	—	—	—	179	2,552	2,744
Participation in liquidity funds	1,361	—	—	—	—	—	1,361
Deposits with credit institutions	—	300	102	—	—	19	421
Total financial investments	2,498	18,647	10,478	11,150	381	3,695	46,849
Other financial assets – at FVTPL							
Derivative and other financial assets	—	—	—	—	—	27,977	27,977
Other financial assets – at amortised cost							
Receivables	—	—	—	—	—	45	45
Cash and cash equivalents	—	—	—	312	—	—	312
Total other financial assets	—	—	—	312	—	28,022	28,334

1. Within Debt securities, there are £105 million AAA rated, £2,098 million AA rated, £3,460 million A rated, £2,308 million BBB rated and £170 million BB or below rated securities, which have been rated using internally assessed credit ratings.
2. Within MBS and ABS, there are £5 million A rated securities which have been rated using internally assessed credit ratings.
3. Within Participation in investment schemes, there are £13 million AAA rated and £179 million BB or below rated schemes, which have been rated using internally assessed credit ratings.
4. Within the BBB rated Financial investments, there are £1,372 million of BBB- rated assets.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

Although the derivative and repurchase agreement asset instruments themselves are unrated, the ultimate issuing party for most derivative and repurchase agreement assets has a credit rating. Additionally, the balances are collateralised with highly rated instruments, so as to mitigate any credit or counterparty risk. Applying the issuer rating to the assets held at 31 December 2024 produces the following split:

31 December 2024	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Derivative assets	**—**	**7,089**	**20,073**	**—**	**—**	**695**	**27,857**
Repurchase agreements	**—**	**250**	**603**	**—**	**—**	**—**	**853**
Cash collateral pledged	**—**	**—**	**159**	**—**	**—**	**—**	**159**

31 December 2023	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Derivative assets	—	6,516	18,608	—	—	363	25,487
Repurchase agreements	—	521	1,919	—	—	—	2,440
Cash collateral pledged	—	—	50	—	—	—	50

These assets are included with regular stress testing undertaken by the Group which assesses the impact of a number of scenarios on the Group's solvency position.

Reinsurance counterparties

The Group has reinsurance contracts in place with 14 external reinsurers (2023: 14 external reinsurers) with an exposure of £411 million at 31 December 2024 (2023: £572 million). Measures are in place with respect to the reinsurance contracts to manage counterparty exposure, including collateral arrangements and other protections. At 31 December 2024, the fair value of securities accepted as collateral that the Group is permitted to sell or repledge in the event of default was £2,168 million (2023: £2,330 million). The credit rating of each reinsurer is reported to management on a monthly basis. The credit rating of each reinsurer was A- or higher at 31 December 2024 (A- or higher at 31 December 2023).

Expected credit loss for trade receivables & cash and cash equivalents

Expected credit losses are insignificant and recognised at 31 December 2024 at £nil (2023: £nil).

(c) Liquidity risk

Liquidity risk is the risk that the Group may not have cash or liquid assets available at the right times to be able to pay its obligations in a timely manner, without incurring excessive cost.

Liquidity risk exposure

Liquidity risk may arise if derivative contracts to manage foreign exchange, inflation and interest rates require liquid assets to be posted as collateral at short notice, or a large proportion of deferred policyholders opt to take transfer values. Liquidity risk also arises if there is a lack of marketability for investments resulting in an inability to sell certain assets should the Group desire to exit holdings for any reason.

Liquidity risk management and mitigation

The Group manages the most common sources of liquidity risk as follows:

- Posting collateral: the Group's risk policies define a minimum proportion of assets to be held in cash, gilts and highly liquid corporate bonds, which can be posted as collateral on derivative contracts. This ensures that the Group would be able to meet demands from derivative counterparties under extreme market scenarios.
- Liability payments: Projected cash flows for all new pensioner liabilities taken on are determined as a part of the new business origination process. This is used to identify appropriate assets which provide matching cash flows at an acceptable price. The projected cash flows are updated regularly, and assumptions are updated at least annually, considering factors such as mortality experience and how this affects the required cash flows in the future.
- The Group's risk policies also define a minimum amount of unencumbered cash available to meet pension liability outgoings and business expenses over the following three months.
- Termination of policies: the Group typically manages this risk by ensuring a suitable time frame between policy termination and the requirement to pay back the scheme, and that a range of different assets can be passed back to the scheme on termination.

Liquidity risk concentration

The Group manages liquidity concentration risk by placing concentration limits on the amount of cash on deposit with individual counterparties, and on the holdings in individual liquidity funds.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

Financial instruments

The following table sets out the contractual maturity analysis of financial liabilities. All amounts for non-derivative liabilities are on an undiscounted basis, including interest where applicable, therefore they will not always reconcile to the amounts disclosed in the Statement of financial position. Derivative liabilities relate primarily to inflation rate and interest rate swaps to hedge the Group's solvency position.

31 December 2024	Carrying value £m	Within 1 year £m	In 1–5 years £m	In 5–15 years £m	Over 15 years £m	Total £m
Financial liabilities						
Other payables	**17**	**17**	**–**	**–**	**–**	**17**
Accruals	**181**	**181**	**–**	**–**	**–**	**181**
Borrowings	**2,062**	**125**	**518**	**2,473**	**–**	**3,116**
Derivative liabilities	**31,641**	**434**	**1,998**	**8,943**	**20,266**	**31,641**
Repurchase agreements	**17**	**17**	**–**	**–**	**–**	**17**
Cash collateral received	**1,104**	**1,104**	**–**	**–**	**–**	**1,104**
	35,022	**1,878**	**2,516**	**11,416**	**20,266**	**36,076**

Repurchase agreement liabilities are largely matched by repurchase agreement assets with the same counterparty that mature on the same date. See Note 14 for further information.

31 December 2023	Carrying value £m	Within 1 year £m	In 1–5 years £m	In 5–15 years £m	Over 15 years £m	Total £m
Financial liabilities						
Other payables	16	16	—	—	—	16
Accruals	189	189	—	—	—	189
Borrowings	1,789	302	408	1,866	—	2,576
Derivative liabilities	28,566	509	1,650	8,004	18,403	28,566
Repurchase agreements	1,193	1,193	—	—	—	1,193
Cash collateral received	1,071	1,071	—	—	—	1,071
	32,824	3,280	2,058	9,870	18,403	33,611

All amounts due to other payables are expected to be paid in the next financial year.

The amounts disclosed in more than 1 year columns in the above table are expected to be settled more than 12 months after the reporting date.

Insurance and reinsurance contracts

The following table provides an analysis of the Group's insurance and reinsurance contract cash flows by duration on a discounted basis, which reflects the dates on which the cash flows are expected to occur. Cash flows do not include the risk adjustment and contractual service margin.

31 December 2024	Within 1 year £m	In 1–2 years £m	In 2–3 years £m	In 3–4 years £m	In 4–5 years £m	In 5–15 years £m	More than 15 years £m	Total £m
Insurance contract liabilities	**2,335**	**2,807**	**2,502**	**2,387**	**2,277**	**16,332**	**10,257**	**38,897**
Reinsurance contract assets	**60**	**23**	**28**	**23**	**18**	**(143)**	**(420)**	**(411)**

31 December 2023	Within 1 year £m	In 1–2 years £m	In 2–3 years £m	In 3–4 years £m	In 4–5 years £m	In 5–15 years £m	More than 15 years £m	Total £m
Insurance contract liabilities	2,019	2,394	2,178	2,091	2,009	15,004	10,313	36,008
Reinsurance contract assets	25	15	17	14	11	(164)	(490)	(572)

Estimates of the present value of future cash flows

The amounts from insurance contract liabilities that are payable on demand are set out below:

	2024		2023	
Insurance contracts	**Payable on demand £m**	**Carrying amount £m**	Payable on demand £m	Carrying amount £m
Life risk	**8,998**	**8,887**	9,141	9,091

These amounts relate to deferred contracts on which a transfer value can be requested. The amount payable on demand is different to the carrying amount due to different discount rates.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

(d) Insurance risk

Insurance risk is implicit in the Group's business and mainly arises from exposure to longevity in respect of annuity payments. Reinsurance is recognised as a key tool in managing this risk to an appropriate level.

Longevity risk is the risk that the Group's policyholders may live for longer than assumed, thus requiring pensions to be paid for a longer period than anticipated, resulting in a higher than expected cost to the Group.

In order to help minimise this risk and also the uncertainty arising through future longevity experience, the Group adopts an active approach to reinsuring these risks where it is economic to do so. This reinsurance can be classified into two broad categories: longevity-only reinsurance and quota share (or "funded") reinsurance, which are discussed below. The Group also chooses to retain a small amount of longevity risk. The approach to setting assumptions for this portion of the book is also described below. Sensitivity analysis is carried out to ensure the remaining exposure to longevity risks is understood, as presented later in this section.

Longevity only reinsurance

This provides longevity cover in respect of certain policyholders. Under these contracts, the Group has committed to pay the reinsurer a fixed line of cash flows for specified sets of liabilities relating to members/former members of particular pension schemes. The reinsurer undertakes to reimburse the actual cost of claims to the Group. Separately, there is also a reinsurance fee for which the Group is liable. Settlement of the contract is on a net basis. These contracts also transfer the contingent longevity risk relating to any eligible dependants of relevant policyholders.

Quota share (or "funded") reinsurance – longevity reinsurance via the transfer of assets

Under such contracts, in return for an initial single premium, the reinsurer agrees to reimburse the actual cost of future claims to the Group in respect of an agreed set of policyholders. These contracts also transfer the contingent risks relating to eligible dependants of relevant policyholders.

The Group monitors the levels of its counterparty risk and actively seeks to reinsure with a wide range of providers to help mitigate its exposure to any one such entity.

Mortality assumptions

One aspect of deriving overall longevity assumptions is to establish the "current" or "initial" rates of mortality. These assumptions are set by applying appropriate mortality factors to each individual member or policyholder. Individual variations are subject to a number of factors including, but not limited to, an individual's gender, age, pension amount, occupation and place of residence.

The other aspect is the allowance for future improvements in mortality. The pattern in which mortality is expected to improve over time, and so increasing the life expectancy of the Group's policyholders, is an important but complex assumption for cash flow and liability calculations. This is regularly reviewed in the light of a number of factors including evolving methodologies for these projections together with views from industry and professional bodies on the factors driving mortality change.

Whilst longevity risk is the fundamental risk relating to its insurance liability portfolio, the Group also considers the following risks:

Risk arising from a specific insurance contract

The Group considers, as part of its risk management process, the risk attached to each new contract accepted and the mitigation of such risk.

Exposure to changes in financial market conditions

The Group prepares information based upon a range of possible market conditions to assess the potential impact on the Statement of financial position and the management actions available to help mitigate these.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

Sensitivity analysis

The following table analyses how the fulfilment cash flows, the CSM, profit and equity would respond if changes in underwriting risk exposures that were reasonably possible at the reporting date occur. This analysis presents the sensitivities both before and after risk mitigation by reinsurance and assumes that all other variables remain constant.

31 December 2024 £m	**Mortality improvements 0.1%**	**Base mortality -5% probability of death**	**Increase in per policy expense assumption of 10%**
Change in insurance liabilities fulfilment cash flows	**(169)**	**(621)**	**(55)**
Change in gross CSM	**330**	**1,000**	**76**
Change in reinsurance assets fulfilment cash flows	**135**	**533**	**(11)**
Change in reinsurance CSM	**(266)**	**(854)**	**14**
Pre-tax change in profit	**30**	**58**	**24**
Post tax change in profit and equity	**23**	**44**	**18**

31 December 2023 £m	Mortality improvements 0.1%	Base mortality -5% probability of death	Increase in per policy expense assumption of 10%
Change in insurance liabilities fulfilment cash flows	(173)	(607)	(49)
Change in gross CSM	318	948	67
Change in reinsurance assets fulfilment cash flows	148	546	(10)
Change in reinsurance CSM	(259)	(808)	13
Pre-tax change in profit	34	79	21
Post tax change in profit and equity	26	60	16

- The mortality improvements sensitivity is based on a 0.1% increase in all annual mortality improvement rates. This is equivalent to a 0.2 year increase in life expectancy from 22.6 years to 22.8 years for a typical male aged 65.
- The base mortality sensitivity is based on a 5% reduction in base mortality rates. This is equivalent to a 0.4 year increase in life expectancy from 22.6 years to 23.0 years for a typical male aged 65.
- The per policy expense sensitivity is based on an increase in annual maintenance expenses (including third party administration costs) of 10%.

Profit and equity increase for all the sensitivities shown, despite losses from changes in fulfilment cash flows net of reinsurance. This is due to profits from changes in CSM, net of reinsurance, more than offsetting the losses from fulfilment cash flows. This is a result of the locked discount rates at initial recognition used to measure changes in CSM generally being lower than the current rates being used to measure the changes in the fulfilment cash flows as at 31 December 2024 and 31 December 2023. The differences between locked and current rates are mainly due to movements in interest rates between initial recognition dates and the reporting date.

The sensitivities are broadly symmetric to the equivalent opposite change in the variable shown.

(e) Operational risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Group's internal control processes are supported by multi-level governance activities, the maintenance of a central risk register, the ORSA process, scenario and stress testing, and independent Internal Audit review of the Operational Risk Framework and its activities.

All material operational risk types are actively managed through a defined control framework and includes first line owned activities and actions overseen and challenged by the second line.

Third party risk

The Group has significant outsourcing arrangements in respect of pension administration and other functions. These arrangements are subject to agreements with formal service levels, operate within agreed authority limits and are subject to regular review by senior management. There is a formal Third Party and Outsourcing Framework which contains clear requirements with regard to the onboarding, relationship management and off-boarding of third parties, supported by a specialised third party management system.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

Model risk

Given the Group's business model, there is considerable use of financial models and associated output throughout a range of actuarial and financial reporting processes which expose the business to risk through inappropriate use or poor design. From an operational risk perspective, extensive controls exist to mitigate risks related to model design, integration, operation and change management. This is supported by a specific Model Risk Framework and associated Board-approved policies which provide direction and guidance in this respect. Model risk is overseen by a specialist team within the wider Risk Function.

Cyber risk

Cyber risk is the risk of electronic information security breaches or loss of digital assets. This includes losses arising from internal employees acting carelessly or maliciously with electronic forms of data as well as external threat actors ("attackers") who may target the Group's electronic information and digital assets. Control gaps create risks that attackers can exploit to harm the Group's information and data assets. The Group, or any of its critical third parties, could be subject to a cyber attack by a threat actor using advanced tools, methods, and access paths to harm or disable the Group's systems, network, and sensitive/critical data. A cyber incident could lead to significant loss or corruption of critical and/or sensitive information assets with regulatory fines, and reputational damage.

There are a range of technical and process controls that are employed to help mitigate cyber risk including but not limited to:

- antivirus, malware, phishing, end point, server and firewall protection controls;
- security operations centre and security incident and event management;
- vulnerability scanning and patching;
- ongoing third party penetration tests;
- backup and restoration processes supported with offsite data centres and tape retention;
- network segmentation;
- incident management team, Business Continuity and Disaster Recovery Procedures; and
- crisis management team with lessons learned and continuous improvement activities.

Conduct risk

The Group is primarily exposed to conduct risk through its interactions with, and obligations to, its retail customers. Given the demographic of the policyholder base, many policyholders are likely to exhibit characteristics of vulnerability. This requires the Group to support their additional needs where possible such as offering alternative contact channels and methods of communication. Conduct risk is mitigated through extensive controls such as staff training, policies and procedures, quality assurance and contractual service level agreements.

Emergency and business continuity plans

Emergency and business continuity plans ("BCP") have also been established to counter adverse occurrences and ensure operational resilience. These plans are tested at regular intervals and the results of these tests are linked closely to the operational risk scenario assessment process. Separate BCP scenarios are also identified and assessed as part of the overall BCP process and drive management actions where identified.

There is an annual operational risk scenario review process in place to examine potential risk impacts caused by both internal and external events. Various scenarios are assessed by appropriate first line subject matter experts, based upon the Operational Risk taxonomy and challenged by the Risk team. Management mitigation actions that are identified as part of this activity are approved through the risk governance process.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

(f) Climate change risk

Climate change risk is defined as the potential for adverse consequences arising from the impacts of climate change, including physical risks arising from climate driven events, and transitional risks arising from the process of adjustment to a low-carbon economy.

Climate change has the potential to drive increases in risk across the Group's risk profile. For example, physical climate change risk could drive:

- Increased credit risk due to disruption to operations and/or supply chains of corporate counterparties;
- Increased market risk due to direct damage to real estate investments resulting in loss of value or reduced attractiveness, or high cost or lack of availability of insurance for investments as a result of increasing likelihood and severity of physical climate risk events;
- Increased liquidity risk if acute physical climate risk events lead to a reduction in the Group's ability to liquidate real estate or other assets, should the Group desire to exit such holdings.

Further, climate transition risk could drive:

- Increased credit risk due to changes in consumer demand or technological advancements leading to assets becoming stranded, or changes in regulation leading to certain sectors or business becoming less profitable or creditworthy than expected;
- Increased market risk due to increased building regulations and standards leading to a need for additional investment in existing real estate assets;
- Increased liquidity risk if assets become stranded as a result of a transition to a low-carbon economy;
- Increased reputational risk arising from failure to enact or evidence long-term climate actions, leading to increased cost of capital and/or reduced new business volumes; and
- Increased regulatory risk due to failure to comply with a fast-moving regulatory environment.

The Group is continually assessing how its business may be impacted by climate change risk. Importantly, the Group has developed the risk management approach to identify, manage and report climate-related risks to the Board Risk Committee, and ultimately the Board. For systems and processes, the Group includes adaptation or operational disruption caused by physical and transition risk associated with climate change in risk analysis and has actively started engaging with external providers. For the assets it invests in, the Group accepts that some transition risk is inherent in doing business and aims to minimise the physical risk in the portfolio. The Group has performed sensitivity analysis to further understand the impacts that physical and transitional climate change risk could have on the balance sheet, including both high physical risk and high transition risk scenarios.

The Group also calculates a number of metrics to monitor its exposure to climate-related risk, including the Weighted Average Carbon Intensity and the carbon footprint of the investment portfolio.

The Group produces a Climate Report, which outlines the approach to managing risks arising from climate change across four key areas: strategy, metrics and targets, risk management and governance, in line with the recommendations of the Task Force on Climate-related Financial Disclosures. Key actions to manage climate change risk include:

- The Group has targets to reduce the public corporate credit portfolio Weighted Average Carbon Intensity by 25% by 2025, to reduce the total portfolio Weighted Average Carbon Intensity by 50% by 2030, and to reach net zero across the business by 2050;
- Implementation of a comprehensive responsible investment strategy, taking account of climate change risk in the Group's investment process;
- Engagement with asset managers and investment counterparties to understand their approach to managing climate change risk and suggest improvements where appropriate; and
- Exclusion policies and concentration limits on sectors that the Group considers to have significant transition risk exposure.

As the Group's assets are generally valued based on market sourced prices or by qualified external valuers, the valuations reflect current market sentiment in respect of climate risk. For internally valued assets, such as private loans, climate risk is considered when assessing the credit rating of the asset.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

19. Related party transactions

Transactions with Directors and key management personnel

Key management personnel comprise Directors of the Company and members of the Executive Committee.

	2024 £m	2023 £m
Short-term employee benefits	**11**	10
Share-based payments	**5**	3
Total	**16**	13

During the year, key management personnel and their families sold shares to the EBT for fair value consideration of £5 million (2023: £9 million).

The Group had no other transactions with Directors and key management personnel during the period.

Capital transactions

During the year, the Group invested £25 million into joint ventures (2023: £13 million). As at 31 December 2024, the carrying value of the investment in joint ventures was £29 million (2023: £28 million); please refer to Note 3 of the Group's Company financial statements for further details on investments in joint ventures.

Other related party transactions

The Group holds €150 million of 1.48% senior notes in Capital Investors Europe PBI Limited, a company within the CVC Group. Another member of the CVC Group is a significant shareholder of PICG. Investment income during the year amounted to £2 million (2023: £2 million) and the carrying value of the investment at 31 December 2024 was £109 million (2023: £108 million).

The Group holds investments in funds managed by HPS, which is a member of a group that is a significant shareholder of PICG. During the year, the Group received net capital distribution of £33 million (2023: £6 million net capital contributions) and investment income amounted to £17 million (2023: £16 million). As at 31 December 2024, the carrying value of the investments was £165 million (2023: £179 million).

Notes to the financial statements
for the year ended 31 December 2024 (continued)

20. Share capital

The authorised, issued and fully paid share capital of the Group is as follows:

	2024		2023	
	Number of shares	**£m**	Number of shares	£m
Ordinary shares				
Authorised, issued and fully paid				
At beginning of year	**1,334,205,407**	**2**	1,334,205,407	2
Shares at the end of the period	**1,334,205,407**	**2**	1,334,205,407	2

21. Restricted Tier 1 notes

In 2019, PIC issued £450 million of Restricted Tier 1 ("RT1") notes. The notes have been classified as equity as the notes did not impose any obligation on PIC to deliver cash or other financial assets to the holders of the notes because:

- the notes are perpetual, with no fixed redemption or maturity date;
- interest is payable and cancellable at the sole discretion of PIC; and
- interest is non-cumulative.

The interest payments arising are recognised in equity upon payment.

	2024 £m	2023 £m
Restricted Tier 1 notes	**444**	444

On 25 July 2019, PIC issued £450 million of RT1 debt capital loan notes with a fixed coupon of 7.375% paid semi-annually in arrears. In 2024, the total coupon paid was £33 million (2023: £33 million).

Notes to the financial statements
for the year ended 31 December 2024 (continued)

22. Reserves

Group

31 December 2024	Share premium £m	Treasury shares £m	Share-based payment reserve £m	Merger reserve £m	Capital reduction reserve £m	Retained profit £m
At beginning of year	873	(31)	21	34	1,055	2,070
Total comprehensive income	—	—	—	—	—	284
RT1 coupon	—	—	—	—	—	(33)
Exercise of share-based payment schemes	—	8	(8)	—	—	—
Dividend	—	—	—	—	—	(398)
Share-based payment charge	—	—	9	—	—	—
Share purchases and share scheme settlements	—	(15)	—	—	—	(3)
At end of year	**873**	**(38)**	**22**	**34**	**1,055**	**1,920**

31 December 2023	Share premium £m	Treasury shares £m	Share-based payment reserve £m	Merger reserve £m	Capital reduction reserve £m	Retained profit £m
At beginning of year	873	(20)	20	34	1,055	1,967
Total comprehensive income	—	—	—	—	—	239
RT1 coupon	—	—	—	—	—	(33)
Exercise of share-based payment schemes	—	7	(7)	—	—	—
Dividend	—	—	—	—	—	(100)
Share-based payment charge	—	—	8	—	—	—
Share purchases and share scheme settlements	—	(18)	—	—	—	(3)
At end of year	873	(31)	21	34	1,055	2,070

Treasury shares relate to the shares purchased by the EBT for the purpose of subsequently settling share-based payment awards.

A capital reduction reserve was established on 21 October 2016, when the Company reduced the nominal value of its ordinary shares from £1 to £0.00161678179673884 in accordance with the relevant Special Resolution.

The Group carried out a Group reorganisation in December 2015, which led to a recognition of a merger reserve of £34 million in respect of the amount by which the book value of the Pension Corporation Group Limited ("PCG") exceeded the nominal value of shares issued by PICG to acquire PCG.

A share-based payment reserve is recognised in respect of the equity settled share-based payment awards in accordance with the accounting policy in Note 7. The relevant disclosures in respect of the share-based payment schemes are provided in Note 7.

Notes to the financial statements
for the year ended 31 December 2024 (continued)

23. Capital resources

The Board's policy is to maintain a strong capital base to protect policyholders' and creditors' interests and ensure compliance with the relevant financial services regulations, whilst creating shareholder value. The Group's capital resources comprise equity and debt capital. Details of the Group's equity capital resources are provided in Notes 20 to 22. Details of the Group's debt capital resources are provided in Note 17.

The Group's main subsidiary, PIC, is required to measure and manage its capital in accordance with the requirements of Solvency II. There are certain valuation differences between the IFRS Statement of financial position and the Solvency II Statement of financial position, for example, differences between IFRS insurance liabilities and Solvency II technical provisions. Also, under Solvency II, PIC treats the subordinated debt (referred to in Note 17) as regulatory capital. PIC has complied with the capital requirements under Solvency II throughout the year.

PIC currently has sufficient capital resources available to meet all its present capital requirements.

At 31 December 2024, the Group's solvency ratio was 237% (2023: 211%) and it had surplus funds of £4,700 million (2023: £4,331 million) in excess of its solvency capital requirement ("SCR").

	2024 £m	2023 £m
Total IFRS equity as at 31 December	**4,312**	4,468
Liability valuation differences and other adjustments[1]	**2,109**	2,073
Total Tier 1	**6,421**	6,541
Tier 2 debt valuation[2]	**1,905**	1,680
Available Own Funds	**8,326**	8,221
Tier 2 restrictions to meet SCR[2,3]	**(184)**	—
Eligible Own Funds[2]	**8,142**	8,221
SCR[2]	**(3,442)**	(3,890)
Solvency surplus[2]	**4,700**	4,331
Solvency ratio[2]	**237%**	211%

1. Includes insurance and reinsurance contractual service margin £3,510 million (audited) and risk adjustment £271 million (audited), in addition to other valuation differences and adjustments £(1,672) million (unaudited).
2. These balances are unaudited.
3. Tier 2 is restricted to a maximum of 50% of the SCR.

PIC's objectives in managing its capital are:

- to maintain Solvency II capital in excess of the SCR;
- to match the profile of its assets and liabilities closely, taking account of the risks inherent in the business;
- to maintain financial strength sufficient to support new business growth in line with PIC's business plan;
- to satisfy the contractual entitlements of its policyholders and the requirements of its regulators;
- to ensure financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- to allocate capital efficiently to support growth; and
- to manage exposure to changes in interest and inflation rates by way of a comprehensive hedging programme; and to manage exposure to movements in exchange rates.

Under Solvency II, PIC uses an Internal Model to set its statutory SCR. This evaluates market risk, insurance risk, operational risk, expense risk and counterparty risk. In addition, PIC produces an ORSA report annually, which is used to identify all the risks faced by PIC including those not captured within the Internal Model and the report is a summary of all appropriate risk management activities used to identify the forward-looking risks PIC faces over the business planning horizon.

PIC manages its business according to the risk strategy, appetite and tolerances set out in its risk policies. In accordance with this, PIC defines risk appetite limits for solvency and a target level of capital that it wishes to maintain, which PIC regularly monitors and reports. Capital volatility is managed through risk management techniques, including the use of inflation rate, interest rate and currency hedging instruments to reduce exposure to potential adverse market movements. PIC is also able to manage its capital position through the level of new business it writes and its broader investment and reinsurance strategies.

PIC focuses on hedging its Solvency II Statement of financial position through hedging its technical provisions and SCR to manage key exposures such as interest rates risk and inflation risk. PIC aims to remove all foreign exchange risk through cross-currency hedging. Longevity risk is managed through reinsurance, where 82% of exposure has been transferred as at 31 December 2024, based on best estimate liabilities (2023: 85%).

Notes to the financial statements
for the year ended 31 December 2024 (continued)

24. Financial commitments and contingencies

Other commitments

During the year, the Group executed transactions to purchase partly-funded private investments. A breakdown of future commitments by year is provided below.

	2024 £m	2023 £m
Within 1 year	**137**	412
In 1–5 years	**182**	243
In 5–15 years	**—**	9
Over 15 years	**—**	12
	319	676

At 31 December 2024, the Group's maximum commitment under contractual obligations to construct investment property is £123 million (2023: £301 million). The obligations cover a period of up to approximately five years.

At 31 December 2024, the Group's maximum commitment under joint venture agreements is £141 million (2023: £113 million).

Company financial statements
Statement of financial position for the Company as at 31 December 2024

	Note	**2024 £m**	2023 £m
Assets			
Investments in subsidiaries	2	**1,952**	1,952
Receivables and other financial assets	4	**21**	31
Cash and cash equivalents	4	**7**	3
Total Assets		**1,980**	1,986
Equity			
Share capital		**2**	2
Share premium		**873**	873
Treasury shares and share-based payment reserve		**(16)**	(10)
Other reserves		**1,089**	1,089
Retained profit		**15**	16
Total Equity		**1,963**	1,970
Liabilities			
Other payables	4	**17**	16
Total Liabilities		**17**	16
Total Equity and Liabilities		**1,980**	1,986

The accounting policies and notes on **pages 195 - 198** form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 14 March 2025 and were signed on its behalf by:

Tracy Blackwell CBE
Director
Registered number: 09740110

Company financial statements

Statement of changes in equity for the Company for the year ended 31 December 2024

31 December 2024	**Share capital £m**	**Share premium £m**	**Treasury shares and share-based payment reserve £m**	**Other reserves £m**	**Retained profit £m**	**Total Equity £m**
At beginning of year	**2**	**873**	**(10)**	**1,089**	**16**	**1,970**
Total comprehensive income						
Profit for the year	**—**	**—**	**—**	**—**	**400**	**400**
Transactions with owners						
Dividend	**—**	**—**	**—**	**—**	**(398)**	**(398)**
Share-based payment charge	**—**	**—**	**9**	**—**	**—**	**9**
Share purchases and share scheme settlements	**—**	**—**	**(15)**	**—**	**(3)**	**(18)**
At end of year	**2**	**873**	**(16)**	**1,089**	**15**	**1,963**

31 December 2023	Share capital £m	Share premium £m	Treasury shares and share-based payment reserve £m	Other reserves £m	Retained profit £m	Total Equity £m
At beginning of year	2	873	—	1,089	19	1,983
Total comprehensive income						
Profit for the year	—	—	—	—	100	100
Transactions with owners						
Dividend	—	—	—	—	(100)	(100)
Share-based payment charge	—	—	8	—	—	8
Share purchases and share scheme settlements	—	—	(18)	—	(3)	(21)
At end of year	2	873	(10)	1,089	16	1,970

+ The accounting policies and notes on **pages 195 - 198** form an integral part of these financial statements.

Company financial statements
Company statement of cash flows for the year ended 31 December 2024

	2024 £m	2023 £m
Cash flows from operating activities		
Profit for the year	**400**	100
Adjustments for:		
Dividends received from Group companies	**(400)**	(100)
Equity settled share-based payments	**9**	8
	(391)	(92)
Changes in operating assets and liabilities		
Decrease in receivables and other financial assets	**10**	4
Increase in other payables	**1**	11
	11	15
Cash inflow from operating activities	**20**	23
Investing activities		
Dividend received	**400**	100
Cash inflow from investing activities	**400**	100
Financing activities		
Purchase of treasury shares	**(15)**	(18)
Share scheme settlements	**(3)**	(3)
Dividend paid	**(398)**	(100)
Cash outflow from financing activities	**(416)**	(121)
Net increase in cash and cash equivalents	**4**	2
Cash and cash equivalents at beginning of year	**3**	1
Cash and cash equivalents at end of year	**7**	3

The accounting policies and notes on **pages 195 - 198** form an integral part of these financial statements.

Company financial statements
Notes to the financial statements of the Company for the year ended 31 December 2024

1. Accounting policies

The Company's financial statements have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The Company's accounting policies are aligned with those of the Group, as set out in the relevant notes to the Group's financial statements, with the only exception to this being Investments in subsidiaries, which are not relevant at Group level.

Investments in subsidiaries are carried at cost less, where appropriate, allowances for impairment in the Company's financial statements. Where indicators of impairment exist, the carrying value of the investment in the subsidiary is compared against its recoverable amount, which is the higher of the fair value less cost to sell or the value in use, with any resulting impairment recorded in the Statement of comprehensive income.

Pension Insurance Corporation Group Employee Benefit Trust ("EBT") is treated as a branch and consolidated in the Company's financial statements. Any shares purchased by the EBT to fund share-based payment awards are accounted for as treasury shares held at cost within the Company and Group shareholders' equity.

There were no other material critical accounting estimates used or judgements made by management in the preparation of these financial statements.

The Company has applied all IFRS and interpretations that are adopted by the UK and are effective for accounting periods beginning on or after 1 January 2024. The following amendments have been issued and endorsed by the UK and have had no impact on the Company:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities provides clarity on the classification of debt and other financial liabilities as current or non-current in particular circumstances.
- Amendments to IAS 1 Presentation of Financial Statements: Non-current liabilities with covenants. The amendment clarifies the criteria for classifying liabilities with covenants as current or non-current.
- Amendments to IFRS 16 Leases: Lease liability in a Sale and Leaseback. This narrow scope amendment explains how a seller-lessee accounts for a sale and leaseback after the transaction date and impacts transactions with variable lease payments.
- Amendments to IAS 7 Statement of Cash flows and IFRS 7 Financial instruments Disclosures: Supplier finance arrangements. Requires disclosure of the effects of supplier finance arrangements on their liabilities, cash flows and exposure to liquidity risk.

Disclosures in relation to the Company's share capital and other reserves are provided in Notes 20 and 22 of the Group's consolidated financial statements. The disclosures required by IFRS 2 "Share-based Payment" are provided in Note 7 of the Group's consolidated financial statements.

Company financial statements
Notes to the financial statements of the Company for the year ended 31 December 2024 (cont.)

2. Investments in subsidiaries

The Company's investments in subsidiary undertakings are as follows:

	2024 £m	2023 £m
Cost		
At the start of the year	**1,952**	1,952
At the end of the year	**1,952**	1,952
Net book value		
31 December	**1,952**	1,952

Subsidiary undertakings	Registration number	Principal activity	Country of incorporation	% of equity held	Share class
PIC Holdings Limited[1]	05706555	Holding company	England	100%	Ordinary shares
Pension Insurance Corporation plc	05706720	Bulk annuity insurance	England	100%	Ordinary shares
Pension Services Corporation Limited	08019046	Service company	England	100%	Ordinary shares
PIC ERM 1 Limited[2]	12977358	Investment activity	England	100%	Ordinary shares
PIC Properties GP Limited[2]	12509653	General partner	England	100%	Ordinary shares
PIC Properties Limited Partnership[2]	LP020950	Investment holding entity	England	100%	Partnership
PIC New Victoria GP Limited[2]	12509797	General partner	England	100%	Ordinary shares
PIC New Victoria Nominee Limited[2]	12511364	Nominee company	England	100%	Ordinary shares
PIC New Victoria Unit Trust		Investment activity	Guernsey	100%	Unit trust
PIC New Victoria Limited Partnership[2]	LP020999	Investment activity	England	100%	Partnership
PIC Wiltern GP Limited[2]	13192301	General partner	England	100%	Ordinary shares
PIC Wiltern Nominee Limited[2]	13192295	Nominee company	England	100%	Ordinary shares
PIC Wiltern Unit Trust		Investment activity	Guernsey	100%	Unit trust
PIC Wiltern Limited Partnership[2]	LP021730	Investment activity	England	100%	Partnership
PIC Arbour GP Limited[2]	13605128	General partner	England	100%	Ordinary shares
PIC Arbour Nominee Limited[2]	13605136	Nominee company	England	100%	Ordinary shares
PIC Arbour Unit Trust		Investment activity	Guernsey	100%	Unit trust
PIC Arbour Limited Partnership[2]	LP022142	Investment activity	England	100%	Partnership
PIC One Eastside GP Limited[2]	14247658	General partner	England	100%	Ordinary shares
PIC One Eastside Nominee Limited[2]	14247663	Nominee company	England	100%	Ordinary shares
PIC One Eastside Unit Trust		Investment activity	Guernsey	100%	Unit trust
PIC One Eastside Limited Partnership[2]	LP022870	Investment activity	England	100%	Partnership
PIC Real Estate GP Limited[2]	14260214	General partner	England	100%	Ordinary shares
PIC Real Estate (First St) Limited Partnership[2]	LP022771	Investment activity	England	100%	Partnership
PIC Real Estate (Ruskin Square) LP[2]	LP023092	Investment activity	England	100%	Partnership
PIC Real Estate (Cedar) GP Limited[2]	14599197	General partner	England	100%	Ordinary shares
PIC Real Estate (Cedar) Nominee Limited[2]	14657988	Nominee company	England	100%	Ordinary shares
PIC Real Estate (Cedar) LP[2]	LP023076	Investment activity	England	100%	Partnership
PIC AH Holdco LLP	OC447009	Investment holding entity	England	100%	Partnership
PIC AR SQR LLP[2]	OC447015	Investment activity	England	100%	Partnership
PIC LSQ Buildco 1 LLP[2]	OC447016	Investment activity	England	100%	Partnership
PIC SO SQR LLP[2]	OC447017	Investment activity	England	100%	Partnership
PIC RP Limited[2]	15719374	Investment activity	England	100%	Ordinary shares

1. Denotes investment held directly by the Company at 31 December 2024.
2. Denotes entities that have claimed exemption from audit by virtue of either section 479A of the Companies Act 2006, section 480 of the Companies Act 2006 (as applied by The Limited Liability Partnerships) or Regulation 7 of the Partnerships (Account) Regulations.

Subsidiaries incorporated in England are registered at 22 Ropemaker Street, London EC2Y 9AR.
Subsidiaries incorporated in Guernsey are registered at Top Floor, Mill Court, La Charroterie, St Peter Port, Guernsey GY1 1EJ.

Company financial statements
Notes to the financial statements of the Company for the year ended 31 December 2024 (cont.)

3. Investments in joint ventures

Investments in joint ventures are held indirectly by subsidiaries of PICG.

Subsidiary undertakings	Principal activity	Country of incorporation	% of equity held	Share class
Senior Living Investment Partners (General Partner) Limited[1]	General partner	England	49%	Ordinary shares
Senior Living Investment Partners Limited Partnership[1]	Investment activity	England	99%	Partnership
Habiko LLP[2]	Investment activity	England	33.33%	Partnership

1. Registered at 6th Floor, 33 Holborn, London, United Kingdom EC1N 2HT.
2. Registered at Kent House, 14-17 Market Place, London, United Kingdom, W1W 8AJ.

4. Financial assets and financial liabilities

All of the Company's financial assets and liabilities are valued at amortised cost as detailed below:

	2024 Amortised cost £m	2023 Amortised cost £m
Financial Assets		
Receivables and other financial assets	**21**	31
Cash and cash equivalents	**7**	3
Total Financial Assets	**28**	34
Financial Liabilities		
Other payables	**17**	16
Total Financial Liabilities	**17**	16

Included within receivables and other financial assets are amounts totalling £14 million (2023: £14 million) due to be received after more than one year. All amounts relating to other payables are expected to be settled within one year.

Company financial statements
Notes to the financial statements of the Company for the year ended 31 December 2024 (cont.)

5. Related party transactions

(a) Transactions with certain Directors and key management personnel

Share-based payment and Treasury transactions with the key management personnel are detailed in Note 19 of the Group financial statements.

(b) Balances and intercompany transactions with subsidiary companies

During the year, the Company had the following outstanding balances with subsidiary companies:

	Transactions during the year[1]		Balance at 31 December	
	2024 £m	2023 £m	**2024 £m**	2023 £m
Amounts owed by Group undertakings	**(11)**	(19)	**—**	11
Amounts owed to Group undertakings	**(4)**	(6)	**(11)**	(8)

1. Intercompany transactions during the year relate primarily to transactions with Pension Services Corporation Limited in relation to Employee share awards.

(c) Capital and dividend transactions with subsidiary companies

During the year, the Company had the following capital transactions with subsidiary companies:

	2024 £m	2023 £m
Share-based payment charge recharged to subsidiary undertakings	**9**	8
Dividend from Group undertakings	**400**	100

Glossary

Term	Definition
Alternative performance measure ("APM")	An alternative metric used to assess financial performance.
Annuity	A type of insurance policy that pays out amounts of benefit to the policyholder for the remainder of an insured individual's lifetime and, in certain cases, that of their spouse and/or dependants. The payments may commence immediately ("immediate annuity") or may be deferred to commence from a future date, such as the date of retirement ("deferred annuity"). Immediate annuities and deferred annuities may be purchased for an individual or on a bulk purchase basis for groups of individuals.
Best estimate liabilities ("BEL")	The BEL represents the value of future liability and expense cash flows. It is based on realistic assumptions with no prudent margins (other than in the default and downgrade assumptions stipulated for the calculation of the valuation discount rate) and is calculated using well-established actuarial and statistical methods.
Built environment	Investments in infrastructure such as Build-to-Rent, Long Income, Social Housing, University Accommodation and Senior Living.
Buy-in	An annuity policy bought by trustees that is an asset of the scheme and helps manage their ongoing liabilities. The trustees and scheme remain in place and the administration stays the responsibility of the trustees.
Buyout	Annuities bought in bulk, covering all the scheme's liabilities. The scheme typically winds up and members become PIC policyholders. The Group also takes on responsibility for ongoing administration alongside payment of policyholders' pensions.
Carbon intensity	Defined as the Weighted Average Carbon Intensity ("WACI") (Scope 1 and 2) expressed as emissions per $ million revenue.
Carbon neutral	A company is considered to be carbon neutral if its operations result in no net release of carbon dioxide into the atmosphere, allowing for the purchase of carbon removal or carbon avoidance credits.
CO_2e	Carbon dioxide equivalent.
Consumer Duty	The FCA's Consumer Duty requires UK insurance firms to act to deliver good outcomes for retail customers, particularly for vulnerable customers. Firms must regularly monitor and demonstrate compliance with these obligations.
Contractual service margin ("CSM")	A component of the liability for a group of insurance contracts representing the unearned profit that will be recognised as the insurance services are provided. A reinsurance CSM is held for contracts in either a net gain or net cost position.
Credit rating	A measure of an individual, organisation or country's creditworthiness, including their ability to repay debt.
Deferred Bonus Share Plan ("DBSP")	The DBSP seeks to align the long-term interests of the Group for all senior management and other key individuals through bonus deferral. The deferred element is awarded in the form of nil cost options which vest after three years.
Defined benefit ("DB") pension plan	An employer-sponsored retirement benefit plan where the benefits promised to the members of the plan are defined according to a formula typically based on factors such as salary history and duration of employment.
Derivatives	Derivatives are securities that derive their value from an underlying asset or benchmark. The Group uses derivatives to hedge out certain market risks, in particular inflation, interest rates and currency risks associated with both new and existing business.
Employee Benefit Trust ("EBT")	A trust established to purchase and hold a company's shares on behalf of its employees.

Glossary (continued)

Term	Definition
Equity Own Funds ("EOF")	EOF is a shareholder view of the Group's Solvency II Own Funds after deducting hybrid debt and aligns to the way the business is managed.
Equity release mortgages ("ERMs")	Equity release mortgages enable a homeowner aged 55 or older to draw a lump sum or regular smaller lump sums from the value of their home, whilst remaining in their home.
Financial Conduct Authority ("FCA")	The FCA is the regulatory body in the UK responsible for overseeing the conduct of financial services firms.
Financial investments	Represents all assets actively managed or administered by or on behalf of the institution including those assets managed by third parties.
Fitch Insurer Financial Strength Rating	An independent opinion of an insurer's financial strength and ability to meet its ongoing insurance contractual obligations.
Fulfilment cash flows	An explicit, unbiased and probability-weighted estimate of the present value of the future cash outflows minus the present value of the future cash inflows that will arise as the insurer fulfils insurance contracts, including a Risk Adjustment ("RA") for non-financial risk.
Funded reinsurance	Funded reinsurance is a form of collateralised quota share reinsurance contract which transfers part, or all of the asset and liability risks associated with a portfolio of annuities to a third party.
Greenhouse gas ("GHG") emissions	Gases released into the Earth's atmosphere that increase the surface temperature and contribute to climate change.
IFRS Adjusted equity	IFRS Adjusted equity is an alternative performance measure ("APM") to assess the financial performance and position of the Group. Equals total equity plus contractual service margin ("CSM") net of reinsurance and tax less the value of RT1 debt.
IFRS Adjusted operating profit before tax ("AOPBT")	IFRS AOPBT reflects the IFRS result relating to core business activities, alongside certain management choices and decisions around those activities. This metric reflects value generated prior to the new business deferral and subsequent in-force release of profit via CSM and excludes investment-related variances.
In-force	Business written before the period end and still active at the period end.
Insurance acquisition cash flows	Cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. Such cash flows include cash flows that are not directly attributable to individual contracts or groups of insurance contracts within the portfolio.
Internal Model	Under Solvency II, a bespoke model used by an insurer to determine the Solvency Capital Requirement ("SCR") for its quantifiable risks. A firm must have obtained appropriate permissions from the PRA to use an Internal Model.
International Financial Reporting Standards ("IFRS")	UK-endorsed International Financial Reporting Standards, issued by the International Accounting Standards Board.
Key performance indicator ("KPI")	A measurable value that demonstrates how effectively an organisation is achieving its key business objectives.
Longevity	A measure of how long policyholders, or pension scheme members, will live.
Long Term Incentive Plan ("LTIP")	The part of remuneration designed to incentivise senior executives to deliver long-term sustained performance consistent with the Group's risk appetite through an award of shares with vesting dependent on performance against a Group Equity Own Funds target, with a Solvency II coverage underpin.

Glossary (continued)

Term	Definition
Matching Adjustment ("MA")	The Matching Adjustment is an upward adjustment to the risk-free rate where insurers hold certain long-term assets with cash flows that match the liabilities. A firm must have obtained appropriate permissions from the PRA to apply the MA to eligible assets and liabilities.
Net zero carbon	A state where no incremental greenhouse gases are added to the atmosphere, with remaining emissions output being balanced by the removal of carbon from the atmosphere.
New business premiums (or premiums)	The premium acquired from new policies by an insurance company within a specific period or a transaction. This is comparable with the IFRS statutory new business insurance contract measure of 'Estimates of present value of cash inflows'.
Own Funds	Own Funds represent the equity base of an insurer under the Solvency II regime. Own Funds can be classified as 'basic Own Funds' or 'ancillary Own Funds' and are structured into Tiers (Tier 1, Tier 2 and Tier 3).
Pension risk transfer ("PRT") (or bulk annuity)	An agreement through which a defined benefit pension scheme seeks to remove some or all of its obligation to pay guaranteed post-retirement benefits by transferring these obligations to an insurer.
Plain English Campaign	A UK commercial editing and training firm which encourages the use of clear language in public information so that the information can be readily understood.
Policyholder	An individual who holds an insurance policy with an insurer. For bulk annuity forms, this is typically through a buyout where the administration of an individual's policy has been transferred from the pension scheme to the insurer.
Private investments	Unlisted private and bilateral loans between an insurer and one or more investment counterparties. Private investments include investments such as physical assets (e.g. infrastructure, social housing, student accommodation, housing associations amongst other investments) and other bilateral loans.
Prudential Regulation Authority ("PRA")	The PRA is a part of the Bank of England and is responsible for the prudential regulation of banks, building societies, credit unions, insurers and major investment firms.
Reinsurance	Insurance that is sold or purchased from another insurance company.
Risk adjustment for non-financial risk ("RA")	The compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk as the entity fulfils insurance contracts.
Risk appetite	Risk appetite is the level of risk that a company is willing to take (or accept) in its business activities in order to meet its strategic objectives.
Risk margin ("RM")	The RM calculation, which is prescribed under the Solvency II regulations, is intended to represent the amount that a notional third party would require in order to take over the liabilities and have sufficient capital to support them over the lifetime of those liabilities.
Scope 1, 2 and 3 emissions	Greenhouse gas emissions are categorised into three 'scopes'. Scope 1 covers emissions that are directly generated by a company. Scope 2 covers emissions that are created by the generation of the electricity or heat needed by the company to sell its main products or provide its main services (indirect emissions). Scope 3 covers emissions caused by the entire value chain (indirect emissions).

Glossary (continued)

Term	Definition
Solvency II	The regulatory regime which intends to align the solvency capital to an insurer's risk profile. Following reform of the risk margin at end of 2023, during 2024, HM Government put in place the remaining legislation and the PRA published its final policy for the new UK solvency regime, which took effect on 31 December 2024.
Solvency Capital Requirement ("SCR")	The SCR represents the capital that an insurer needs to hold against their quantifiable risks to be able to meet their obligations for the following 12 months, following a 1-in-200 year adverse event. It can also be defined as the capital requirement to meet obligations over the following 12 months with a 95% confidence.
Solvency ratio	The solvency ratio is a regulatory capital measure that demonstrates an insurer's financial strength. It shows the ratio of available capital to required capital, which is defined as Own Funds as a percentage of the Solvency Capital Requirement.
Solvency surplus	The Solvency surplus is a regulatory capital measure that demonstrates an insurer's financial strength. It shows the surplus of available capital above required capital, which is defined as Own Funds less Solvency Capital Requirement.
Standard formula	A set of risk-based mathematical formula used by insurers to calculate their SCR under Solvency II. The standard formula is intended to be appropriate for use by most insurers, although firms may obtain permission from the PRA to use an Internal Model that better suits the firm's risk profile.
Stewardship Code (UK)	Stewardship is the responsible allocation, management and oversight of capital. The Stewardship Code sets standards for those investing money on behalf of UK savers and pensioners. It is a voluntary code for asset owners, asset managers and service providers.
Subordinated debt	A fixed interest bond issued by an insurance company. Subordinated debt ranks below other debt in order of priority for repayment in a situation where the issuer defaults or is liquidated.
Surplus generation	Surplus generation measures the amount of surplus capital generated in the year, being the excess of Own Funds over the Solvency Capital Requirement.
Technical provisions ("TP")	The value of technical provisions on the Solvency II basis is equal to the sum of the Best Estimate Liabilities and a Risk Margin.
Temperature alignment	The implied increase in global temperatures of a company, based on emissions projections for the company and comparison to independently calculated "carbon budgets" aligned with a 1.5 degree temperature increase. Where a company is projected to exceed the allocated carbon budget, their temperature alignment would be higher than 1.5 degrees. An investment portfolio temperature alignment is based on a weighted average of the temperature alignments of the issuers in that portfolio.
Transitional measures on technical provisions ("TMTP")	The TMTP allows firms to smooth the transition from the previous regulatory regime to the Solvency II regime via a deduction to the technical provisions on the solvency balance sheet, subject to receiving the appropriate permissions from the PRA. The TMTP only applies in respect of business that was in force at 31 December 2015. The TMTP decreases to zero over 16 years, and was recalculated at 31 December 2024 and 31 December 2023.
Transition Plan	A transition plan sets out a firm's approach to align all its activities to net zero.
Trustee(s)	A Trustee is an individual or company, acting separately from the employer, who holds assets in the trust for the beneficiaries of the pension scheme. Pension scheme trustees are obliged to act in the best interests of the scheme members.
Yield	A measure of the income earned from an investment over a set period of time, most often in the form of interest or dividend payments.

Pension Insurance Corporation Group Limited is committed to responsibly managing its paper purchases.
The paper used for the Annual Report and Accounts is FSC® certified and sourced from well managed forests and other controlled sources.
This certification guarantees compliance with a globally recognised set of principles and criteria for forest management.

MIX
Paper | Supporting responsible forestry
FSC® C001785
www.fsc.org

PIC

Pension Insurance Corporation Group Limited
22 Ropemaker Street, London EC2Y 9AR
www.pensioncorporation.com