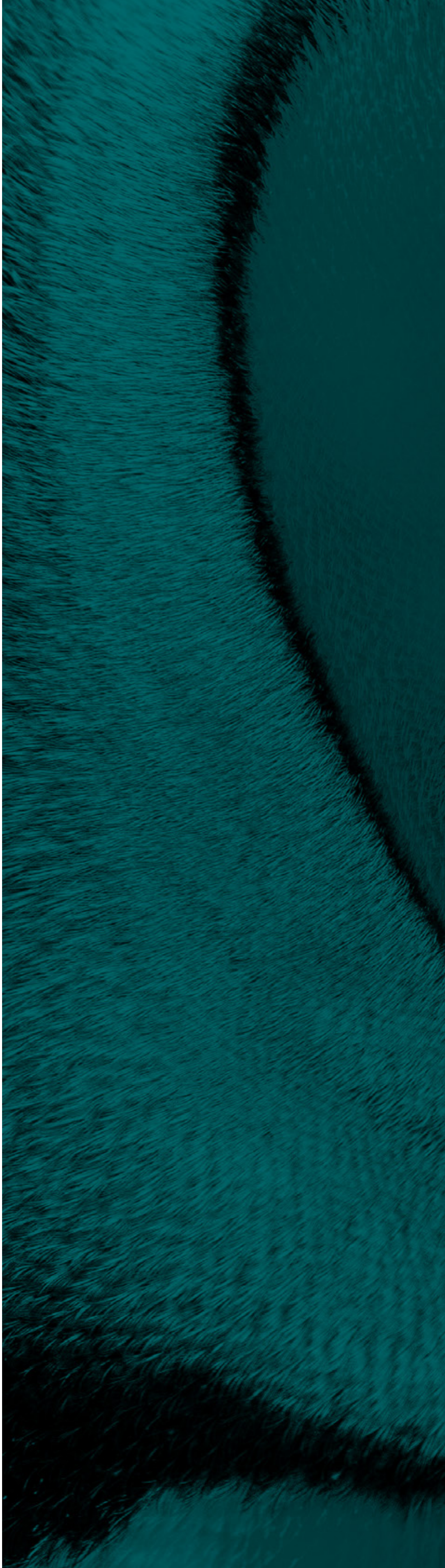
Responsible investment approach.

Pension Insurance Corporation Group Limited
June 2025



Contents.

Our philosophy.

Given the purpose of Pension Insurance Corporation plc ("PIC") is to pay the pensions of our current and future policyholders, it is our responsibility to protect our portfolio from the impacts of both financial and non-financial risks. We recognise issues such as climate change, human rights, and corruption can have very real environmental, social and financial implications over all time horizons.

Considering Environmental, Social and Governance ("ESG") risks and opportunities has always been an inherent part of PIC's investment process when assessing the suitability of long-term investments, and is a natural consequence of focussing on our purpose. Investing in a responsible manner, which encompasses ESG factors, helps ensure we are able to fulfil that purpose.

PIC is a signatory to the United Nations' Principles of Responsible Investment ('UNPRI') and we commit to enact the UNPRI'S following six principles, recognising that we invest in fixed income and do not own public equities:

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

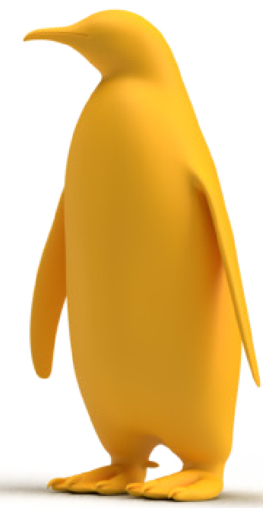
PIC is a signatory to the Asset Owners Net Zero Alliance and has committed to becoming Net Zero by 2050, along with interim targets along the way. More about our climate commitments can be found in our annual **Task Force on Climate Related Financial Disclosures (TCFD)** publication. PIC has also successfully been re-approved as a signatory to the UK Stewardship Code. More insight into our approach to Stewardship can be found within our **Stewardship Report.**

Oversight of Sustainability at PIC:

PIC's approach to long-term value creation is incorporated into the Group's Sustainability Strategy and overseen at Board level.

The Board has delegated the day-to-day implementation of PIC's Sustainability Strategy to various senior management figures within the firm including an Executive Committee Sustainability Champion (PIC's Chief Strategy Officer). The integration of ESG into investments including stewardship activities is the responsibility of the Chief Investment Officer and Head of Sustainability, while accountability for Climate Risk sits with the Chief Risk Officer.

The Head of Sustainability chairs a Sustainability Oversight Forum which meets on a quarterly basis and includes representatives from various business functions including three members of the Executive Committee.



The integration of ESG into investment processes.

PIC defines Environmental, Social & Governance integration as the investment analysis of ESG factors alongside financial factors in the investment decision-making process.

It explicitly and systematically includes the analysis of a range of risks and opportunities related to ESG factors. In principle, this leads to a broader assessment of the environment in which companies operate and their performance in managing different stakeholders, giving a fuller understanding of risks over the long-term than traditional financial analysis alone. These ESG-related risks may vary by country, by industry and by characteristics specific to that issuer.

PIC's purpose is to pay the pensions of our current and future policyholders. As an asset owner needing to pay liabilities out for many decades, we employ a rigorous credit process for our assets, and work with external managers that share our values.

We believe that organisations which demonstrate positive sustainability characteristics are better placed to maintain cash-flows and service their debt over the long term. These characteristics include whether they recognise responsibilities to key stakeholders beyond customers, such as employees, suppliers, society and the environment. To meet these responsibilities, it is crucial that they have a long-term focus.

Our approach has always been to have our expert credit analysts do the detailed risk analysis for credit-investment decisions, because they have the deepest knowledge of specific issuers. Analysts consider material ESG risks and opportunities alongside other factors and liaise with our Responsible Investing team on their findings. Every member of the Investment team is expected to consider ESG factors when reviewing an investment opportunity. This means our analysis is forward-looking and takes into consideration the risk to potential investments over many decades.

Responsible Investor

PIC Portfolio

ESG Integration:	**Social Value:**	**Stewardship and Engagement:**	**Industry Participant:**	**Climate Change:**
Within all investment process including within manager selection	Investments into sustainable assets that create beneficial outcomes for people and our planet	UK Stewardship Code signatory, Standalone Stewardship Policy, Engagement strategy	UN signatory, Net Zero Asset Owners Alliance member, ABI Climate Change Working Group participant	Decarbonisation to Net Zero, TCFD reporting, TPT, Climate risk management and climate scenario testing

ESG integration drivers.

PIC integrates ESG factors into the investment teams' decision-making as we believe they are an integral part of the credit assessment of any holding.

We believe that ESG assessments can highlight future potential risks and opportunities which are not always fully captured by typical credit ratings or traditional balance sheet and income statement analysis. Often, this is because of the longer-term timeframes considered in such assessments, which is aligned to PIC's typical investment horizon.

In the context of Fixed Income investing this means looking at those ESG aspects of an issuer's operations that may influence its ability to meet its financial obligations and considering the timeframe over which PIC would be prepared to lend to that issuer.

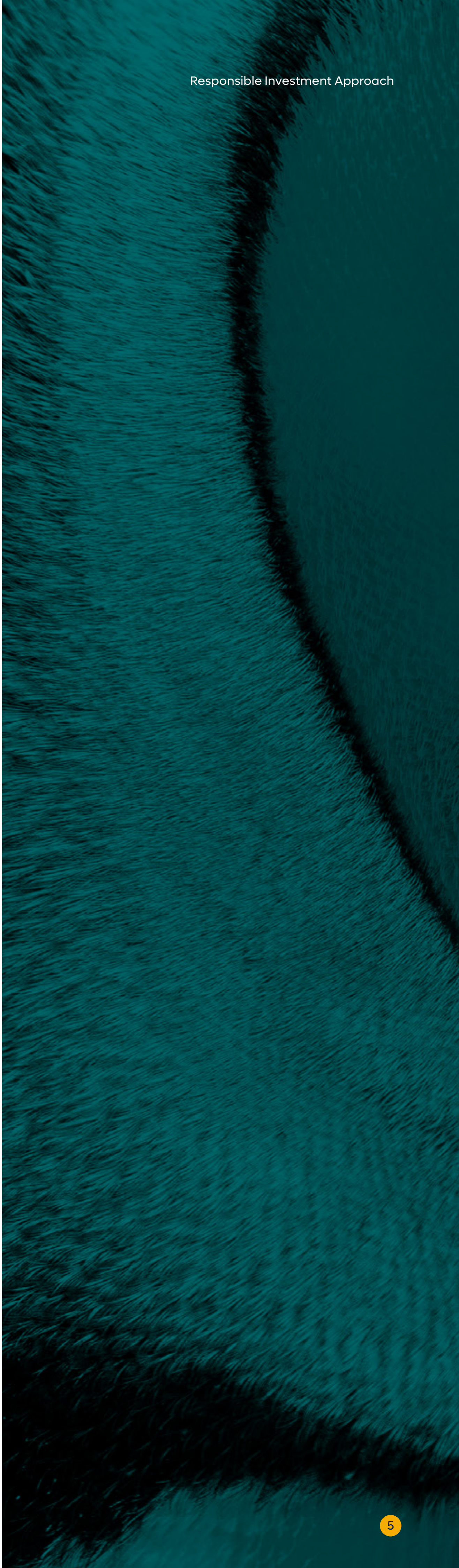
Reputational risk

We also recognise that in some instances lending to an issuer may cause reputational risk to PIC, this entity may cause wider issues for PIC such as potential new clients or new funders of the business withdrawing their support or interest. This reputational risk is covered by our internal "Reputational Risk framework for Investments" and applied on a case-by-case basis. The Reputational Risk Framework is applied first at Sustainability Oversight Forum level and escalated to Credit and/or Investment Committee level where appropriate.

A recent example of an investment opportunity which was rejected on reputational and governance grounds was a prominent sport club looking to raise capital against one of its assets. Although the investment case was attractive, the club's majority shareholder had direct ties to two countries under United Nations sanctions and/or condemnation. PIC discussed this case at various committees and the decision was made not to pursue with the opportunity.

Scope

When we integrate ESG risks and opportunities into our portfolio it is important that the process we use is suitable for the assets we invest in. The majority of our portfolio is invested in investment grade debt within the public and the private markets. The PIC portfolio also has real assets, funds and a large amount in developed market sovereign debt.



ESG integration approach.

We consider a company that creates negative externalities, whether environmental, social or governance, all else being equal, a worse long-term investment than a company that does not.

We assess these considerations in terms of financial materiality i.e. is this something that increases the probability or severity of capital loss or ratings deterioration.

For example, we believe that transition and physical risks related to climate change are financially material risks to consider and we have embedded those risks into our Risk Management Frameworks and Policies.

There are many broad approaches to implementation of our ESG integration process, and we are conscious that for PIC any assessment needs to be comparable for public and private debt. Also, we appreciate that our approach will develop over time as our knowledge and expertise increases and data becomes more readily available and of better quality. Although comparable, our approach varies depending on the asset being invested into, this is explained in the following paragraphs.

PIC's ESG assessment for corporate bonds

Our ESG assessment of corporate bonds is used as an important additional piece of information alongside our credit analysis and the traditional credit rating when making a decision about whether to buy or hold a bond and over what term to lend.

Where possible, we use third party ESG data vendors to provide relevant ESG data. Our added value comes from interpreting and analysing this data in the context of our portfolio, and in light of our analysis determining what duration we would be comfortable taking.

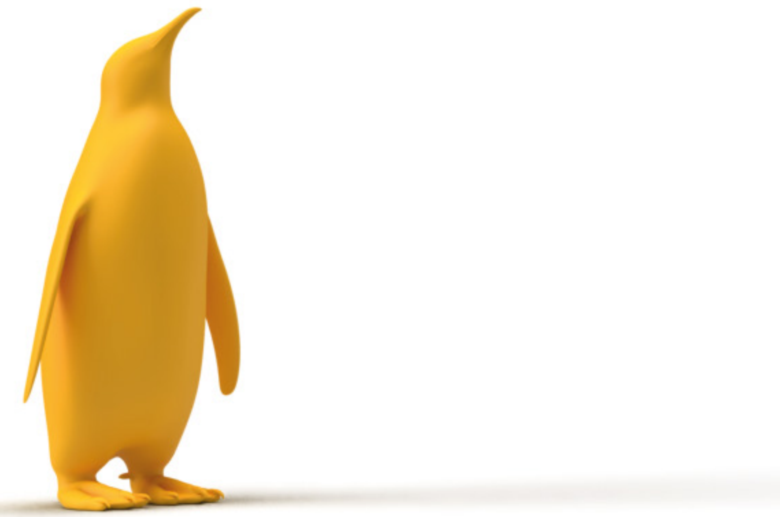
The theory behind our investment process is below:

1. The higher ESG risk a company's industry is exposed to, the more material the ESG risks are if not managed properly in the long term;
2. The better the management practices towards identified ESG risks, the more likely a company is to maintain a strong balance sheet over the long term.

This in practice means interpreting the data we receive through vendors or via primary data collection to identify the ESG factors we believe are the most financially material. We then assess a company's resilience to ESG risk through the effective management of these.

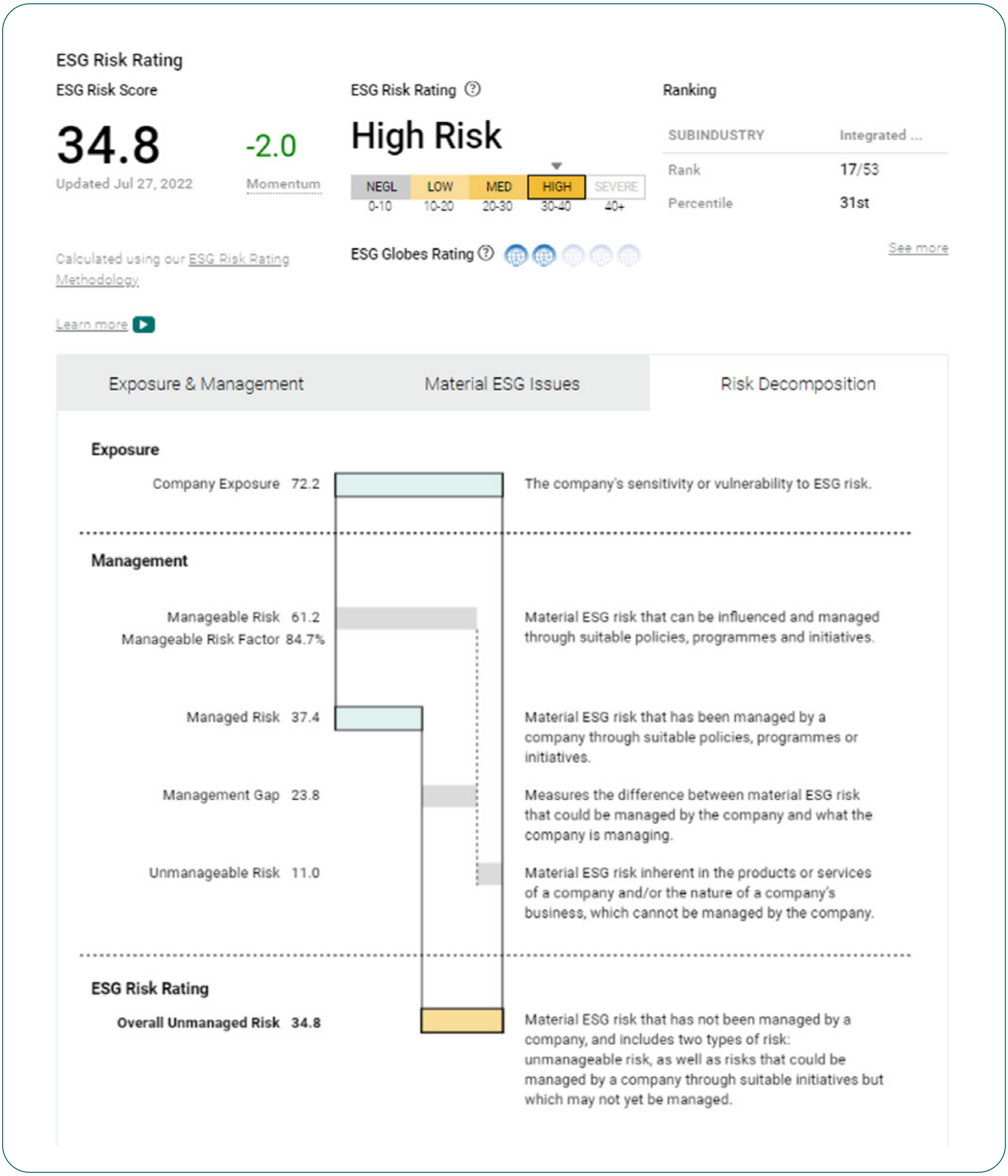
Sustainalytics[1] has been carefully selected as our data provider of choice for publicly listed corporate credit, given its focus on the downside risks of a company, which is most aligned with a credit investor's investment perspective.

- Sustainalytics rate industry risk with an "Average Exposure Score" which is their view of the total ESG risks in that sector. They also produce an "Average Manageable Risk Factor" which is their view of what portion, from the identified sector risk, can be managed. We call this ESG Industry Exposure Risk score.
- Sustainalytics then produce a "Management" score that assesses how well the company manages the ESG risks that are deemed to be manageable. We call this ESG Management Competency score.



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

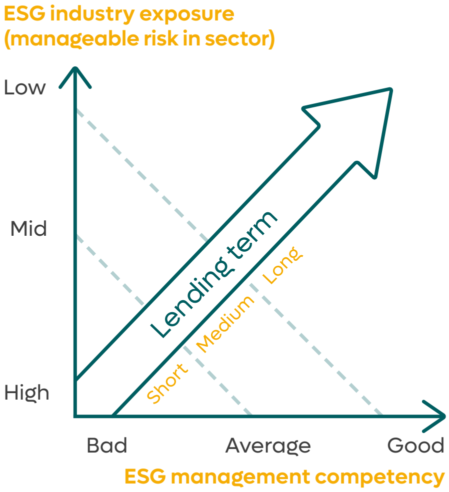
An example of a High Risk company rated by Sustainalytics is below:



PIC's ESG assessment for Corporate Bonds cont.

We then plot, where possible, the ESG Industry Exposure Risk on the Y axis and Management's ESG Competency on the X axis. Our lending term is then influenced on where on the graph our corporate is plotted.

PIC's proprietary ESG assessment at a glance



The credit analyst will look to use this information as part of the overall decision for the creditworthiness of the company and the term for which we are prepared to lend to them.

We attempt to apply this interpretation of ESG risks to all our bonds and other lending opportunities – however it is not always possible given time sensitivities, time availability and resource. Our aim is to continue to apply this process in practice and adapt the process as we progress to make it most suitable for our evolving investment portfolio.

Further data sources

The principles of our analysis are enhanced by adding additional data sources. We integrate MSCI Climate Data into our investment universe and apply a set of Climate related parameters to flag investments which should be avoided given their climate position. This climate position is influenced by things such as their greenhouse gas (GHG) emissions, their commitments to decarbonise as well as their forecasted competitiveness in a low carbon economy.

Please see our Climate Transition Plan and our most recent Climate (TCFD) report for more detail.

Assets managed by external managers

PIC integrates sustainability considerations into the relatively small portion of our portfolio that is externally managed in the following way:

- An initial sustainability due diligence exercise is performed when considering a manager to partner with. This includes an assessment of managers at the firm level, to understand if sustainability is a central part of their culture and capabilities. We only choose to partner with managers who demonstrate strong credentials in terms of sustainability and stewardship and can demonstrate a track record of doing so. It is important that our managers are responsible stewards of their clients' capital, as our reputation can be directly linked with their actions.
- Given we have specific mandates with each manager, the application of sustainability criteria will vary between them. Each of our managers have their own in-house ESG integration and stewardship framework which is used when establishing our investment universe.
- Once holdings are in the portfolio, we ask managers to comment on any controversies and include forward-looking thoughts on ESG related matters.
- Our managers each provide us with sustainability updates covering topics such as ESG ratings, controversies, and engagement activities.

Internally managed private credit assets

We integrate ESG and stewardship into our privately sourced credit in the following way:

- For **private debt into listed companies**, we use data from our various data sources such as Sustainalytics, Bloomberg, Credit Sights, rating agencies and the company's public sustainability reports to analyse exposure to ESG risks.
- For our **private debt investments into unlisted organisations**, we liaise directly with the issuer to determine their ESG position and attribute an in-house ESG risk score. The process typically runs in the following way:
  - **a.** Where possible we send sector specific ESG questionnaires which assess individual factors which are deemed as most material to the sector.
  - **b.** We apply our in-house ESG rating methodology to produce an ESG Issuer Score. Absent any unusual events, we review this rating on an annual basis as part of our ongoing monitoring.
  - **c.** We engage with each organisation on responses given, and work with them on things like increasing transparency or setting objectives where we feel material ESG risks have been identified and not sufficiently addressed.
  - **d.** We record our engagements on our proprietary ESG Engagement Platform so that these can be tracked and monitored over time.

ESG internal rating methodology

Our Credit Research team has developed a proprietary ESG rating methodology for our privately sourced debt investments. The methodology takes a sector specific approach using the Key Performance Indicators most material to that sector and asks analysts to quantitatively score companies according to a pre-defined scoring system as well as qualitatively justify and provide evidence for their assessment.

The end result is a separate low/medium/high risk exposure score as well as an overall headline blended score. The analyst's score undergoes a peer review prior to being presented at PIC's Rating Committee for approval.

Developed Market sovereign bonds

As a low-risk insurance investor who is required by regulation to tightly cashflow match our liabilities, a large portion of our portfolio is invested into Developed Market sovereign bonds. Nevertheless, the ESG assessment of such bonds is approached in a similar manner to our other public credit exposure.

We receive ESG country risk data from Sustainalytics and incorporate this into our country and sector limits framework. Depending on the level of ESG risk of a country, an adjustment is made to the level of exposure we can have in that sovereign's issuances by tightening the concentration limit allocated to that country in line with risk exposure.

Real estate assets

We have established strong ESG criteria within the framework of our investment process for PIC's growing real estate portfolio. Under the strategic and technical direction of PIC's Built Environment and Responsible Investing teams, we have created, along with a third-party specialist consultant, a rating system to assess ESG credentials across PIC's real estate portfolio. The standards within our approach go beyond the regulatory minimum and assess assets according to 65 KPIs spread across eight ESG related themes which are tailored for each asset class:

Environmental

Net Zero carbon

Biodiversity and ecology

Climate change

Materials and circular Economy

Social

Health and well-being

Social value

Governance

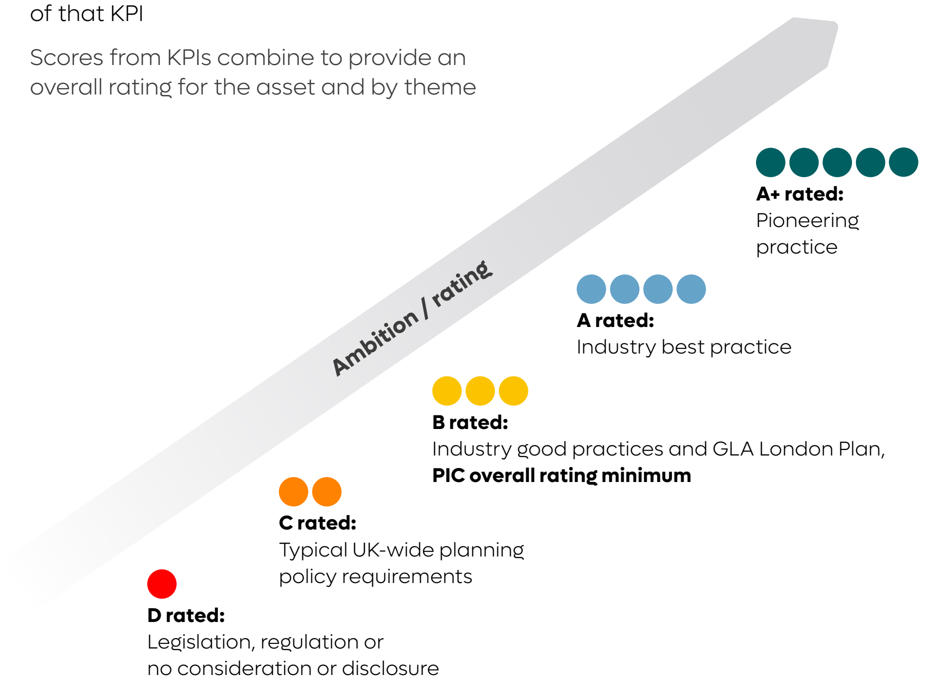
Monitoring

Policy

Every KPI includes five levels of performance, each comparative to industry benchmarks in 2022/23

The higher the level the greater the ambition of that KPI

Scores from KPIs combine to provide an overall rating for the asset and by theme



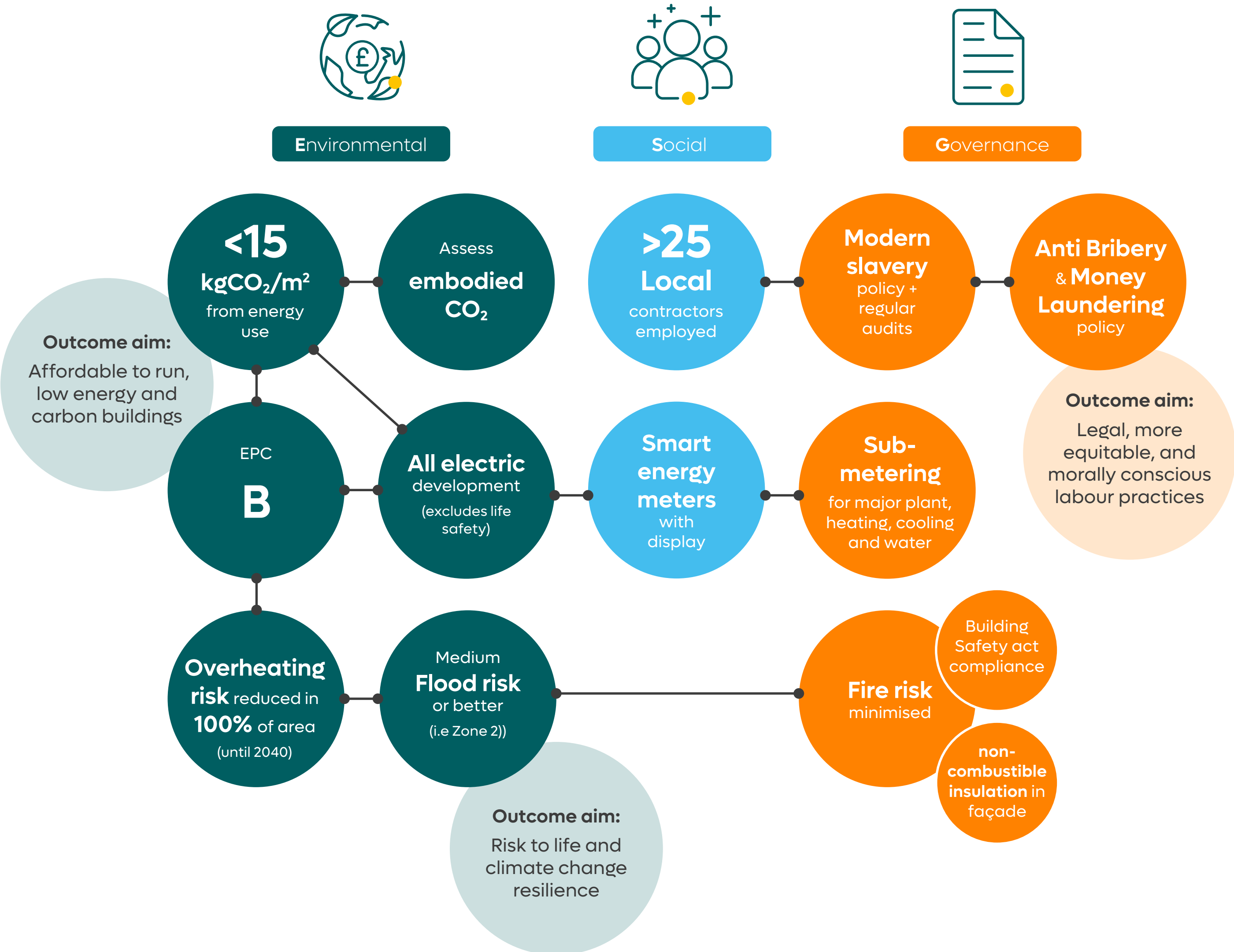
Our analysis goes into meaningful depth on ESG risks and opportunities in the built environment and identifies areas for further engagement. Where PIC can influence the design of a building, we ensure that we engage directly with the developers to incorporate industry leading environmental standards.

New developments must achieve an average aggregate PIC rating of 'B' across the framework before being recommended for investment[2].

[2] Applicable to development schemes of new build properties where PIC is making meaningful equity and /or debt investment and has influence over the design features of the construction and fit-out.

There are minimum standards for new build assets which set red lines on a handful of KPIs that any development must achieve or commit to meet, prior to financial close. The image below shows which selected KPIs across the ESG sections and how they link together.

New build minimum standards



In 2024, we enhanced our approach by adapting the 65 KPI questionnaire, which was most applicable pre-financial close, to versions that could be used during construction phase as well as once the asset is operational. These adaptations are necessary as relevant KPIs will evolve as the development progresses. In 2024 we also developed a Social Value Matrix which helps measure and monitor social value created by each development.

Phase 1 – Pre-financial close ("FC")

Acquisition/Due diligence — 6 – 12 months

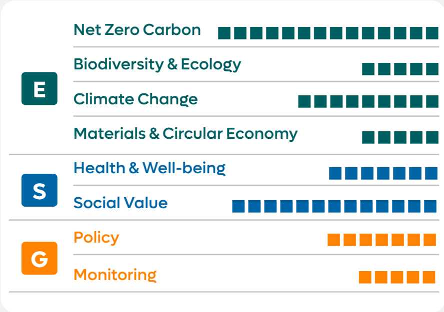
Purpose:
- Avoid acquiring poor developments
- Agree performance standards
- Write into funding agreement

Collected by: Developer

Reviewed by: Technical advisor

KPIs – collected and reported before FC — Total **65**

Focus of data
- Location details and external conditions
- Developer governance
- Net Zero, biodiverse and climate resilient design
- Healthy buildings and community social value



Phase 2 – Construction monitoring

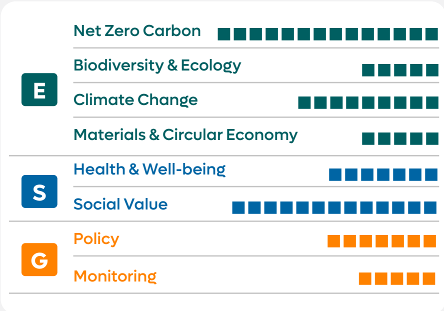
Construction — 24 – 48 months

Purpose:
- Capture data through process, avoiding date loss
- Review against agreements

Collected by: Contractor

KPIs – reported annually (by calendar year) — Total **12**

Focus of data
- Dust and waste recycling
- Local labour and sourcing
- Social value
- Contractor policies



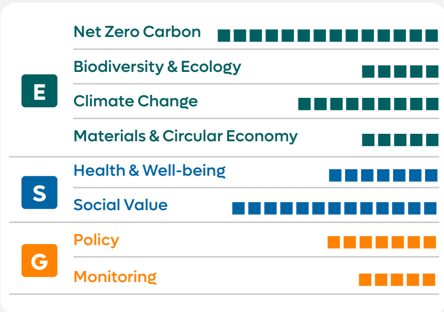
At practical completion — Typically 8 weeks (BSA1 Gateway 3 approval period)

Purpose:
- Clarify final performance
- Review against agreements
- Create reference pack

Collected by: Developer

KPIs – Summary performance collected — Total **19**

Focus of data
- Construction summaries
- Final building performance
- Building Regulations packs
- Certifications and commissioning



Phase 3 – Operation

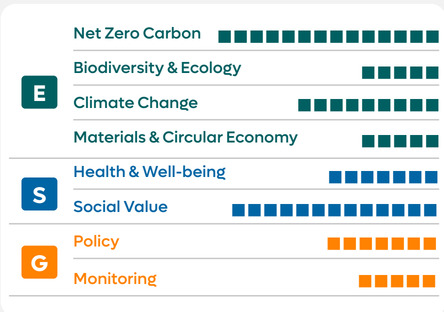
Operation — 25 – 60 years

Purpose:
- Track in-use performance
- Feed into annual reporting
- Reduce transition/ liquation risk

Collected by: PIC & Management agent

KPIs – collected annually — Total **11**

Focus of data
- Annual energy use and CO_2 emissions
- Tenant satisfaction and protections
- Social value



Funds

PIC primarily invests directly rather than through funds, although there is some minor fund exposure in our portfolio. Where we do invest in funds, we integrate ESG and stewardship into our investment process through a ESG Manager Scorecard where both the manager and the strategy are assessed and attributed a score between 1 and 5.

Managers are engaged with at least annually on the topic of ESG, however more emphasis is put on these topics within conversations with poorly rating managers.

Sustainable assets

100% of PIC's portfolio benefits from our Responsible Investment approach while around a quarter of the portfolio is categorised through our Sustainable Assets Framework as having a lasting positive impact.

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) and thus benefits people and the planet over time. The word 'Sustainable' is chosen as it highlights the natural positive social and /or environmental outcomes that arise from a company's regular business activity over time.

Our £12.7 billion[3] investments in Sustainable Assets (c25% of our total portfolio) underpins our belief that responsible investing not only helps us achieve our purpose, 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.

Sustainable Assets Framework:

Sustainable asset category	Eligible activities[4]	Related UN SDGs
Not for profit	Financing provided to registered non-profit organisations and /or charities with the purpose of supporting programmes that aim to benefit vulnerable populations and/or to advance areas that clearly service the public interest. Also includes lending to social enterprises.	1 NO POVERTY 2 ZERO HUNGER 3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 5 GENDER EQUALITY 6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY 8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 14 LIFE BELOW WATER 15 LIFE ON LAND 16 PEACE, JUSTICE AND STRONG INSTITUTIONS 17 PARTNERSHIPS FOR THE GOALS
Municipals and local authorities	Investments in Municipals and Local Authorities engaged in the provision of essential services as a public good. This can include provision of community based services and facilities, maintenance of public space and public infrastructure.	
Project finance (funding sustainable initiatives)	Project finance investments which fund socially and environmentally beneficial initiatives linked to the UN SDGs (i.e. funding of school, healthcare, infrastructure) and /or a circular economy.	
Green, social, sustainability or sustainability linked issuance	Formally labelled Green, social, sustainability or sustainability linked bond in-line with an industry recognised framework such as the ICMA's Green, Social, Sustainability and Sustainability-linked Bond Principles and (if applicable) listed on the Climate Bond Initiative ("CBI"), which also includes social and sustainability bonds. In addition, the Responsible Investing team reserves an overlay judgement as to inclusion in this category upon further scrutiny of framework and standard referred to in labelling.	
Social and affordable housing	Investments relating to the construction, maintenance, refurbishment, or operation of Affordable Housing. Where Affordable Housing is defined as housing for sale or rent, for those whose needs are not met by the market. This includes (i) affordable homes for rent that have the rent set in accordance with the Government's rent policy or is at least 20% below local market rents, (ii) Starter Homes, (iii) discounted market sales housing that is sold at a discount of at least 20% below market value, and (iv) other affordable routes to home ownership such as shared ownership, relevant equity loans and rent to buy.	1 NO POVERTY 10 REDUCED INEQUALITIES
Clean/Renewable energy	Investments relating to the construction, development, acquisition, maintenance and operation of clean or renewable energy projects / facilities / companies including, among others, solar and wind power.	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Education (schools, universities, colleges, student accommodation)	Investments relating to the provision of education including, albeit not limited to, improvements to schools / colleges / universities (or other educational institution), student accommodation and their facilities to ensure they are of decent standards.	4 QUALITY EDUCATION
Sustainable/ Clean transport	Investments supporting the shift to clean energy transport and the development, operation and upgrade of public transportation facilities, also including improvements to rail transport and other non-motorized means of transport.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Green or sustainable buildings	Financing and/or refinance the acquisition of new and/or existing buildings that aim to achieve high environmental standards and /or high social standards. Buildings built with a specific social purpose, such as Affordable Housing, Built to Rent or leased to local authorities/ public sector also qualify.	11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Healthcare	Financing a company working within the Healthcare sector for the provision of public / state or private healthcare products and services. As well as for the acquisition, refurbishment, maintenance, equipment and operation of existing public and private health related infrastructure (hospitals, clinics, care homes, healthcare centres, or other such facilities). Healthcare also includes Pharmaceutical, Biotechnology, and Laboratory Equipment and Services.	3 GOOD HEALTH AND WELL-BEING
Regulated utilities* (water and electricity)**	Companies within the regulated water and electricity sector. This includes electricity generation, transmission and distribution, and integrated electricity companies. Within the water sector, including companies that provide drinking water and wastewater services (including sewage treatment) to residential, commercial, and industrial sectors of the economy as well as operate public supply networks. We recognise that several companies within the water sector have been involved in severe negative ESG controversies, and in response to this behaviour we actively engage with companies in that sector on such topics.	1 NO POVERTY 6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES
Circular economy	Contributing to the production of resource-efficient products designed using recycled, waste, and bio-based materials, or Research and Development of products, processes and technologies. Includes waste-to-energy and materials recycling companies.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

[3] As at Dec 31st 2024 – Sustainable Asset figure.

[4] It is possible that activities related to these categories are considered despite not being listed. A clear focus of business activity should link to the UN SDGs.

* In previous years we have included 'Regulated Gas Utilities' as a sustainable asset. Although we recognise the use of gas as a transition asset to help us get to Net Zero, our view of a low carbon world would see us minimally relying on such an energy source.

** Within electricity, we appreciate that there may be some exposure to gas fired electricity generation within integrated companies.

Stewardship and engagement.

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

We engage with investee companies through four main channels:

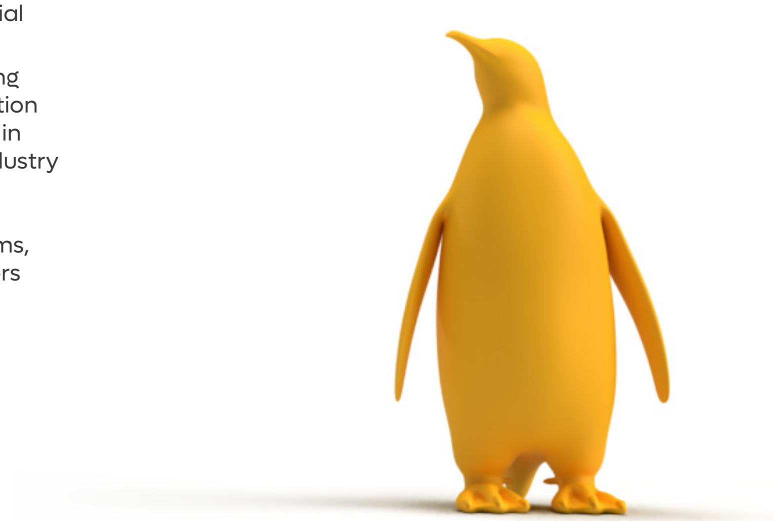
Engagement Channels

1. Direct by Credit Analysts
2. Via Key External Managers
3. Selected Third Parties for Speciality Asset Classes
4. Collaborative Engagement Initiatives

For our direct investments, we engage directly with organisations both at the point of capital raise and during the tenure of the investment on various material ESG issues.

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

PIC is proud to be a signatory to the Financial Reporting Council (FRC)'s UK Stewardship Code and our application can be found **here** on our website. PIC is also involved in collaborative engagements including ones lead by industry initiatives such as the UN PRI and the Investor Forum. In addition, we engage with policymakers on industry wide topics such as Solvency UK, wider pension reforms, and how to help local authorities overcome the barriers to local regeneration.



PIC's initial two-year engagement strategy helped inform and develop our five-year engagement strategy which was approved at the Board level and will run from 2025 – 2030.

The strategy is split between asset classes and will formally expand our focus across six core topics. We have identified key sectors impacted by these topics within PIC's portfolio to focus our engagement efforts on:

		Environmental		Social		Governance	
		Climate Change	Natural Capital	Human Rights	Human Capital	Corporate Governance	Diversity, Equity and Inclusion
Fixed income – Public	Description	Climate engagements with issuers with significant real-world impact on carbon emissions.	Engagement with issuers operating in sectors with high pressures on natural capital where we have meaningful exposure and influence.	Engagement on Modern Slavery, labour standards and human rights in the supply chains.	Engagement on corporate culture, ability to attract retain and develop workers, and wider management of human capital.	Engagement on corporate governance topics around Board and management effectiveness and executive remuneration.	Engaging on Diversity, Equity and Inclusion topics at the senior level and more widely across the workforce.
Fixed income – Public	Engagement objectives	• The company's decarbonisation plans are ambitious and credible; • Transparent reporting through additional disclosures or external verification (such as SBTi); • Integration of KPIs related to decarbonisation in the management remuneration structures.	• Policies to manage impact on natural capital; • Disclose in line with TNFD; • Set targets / set out natural capital strategy; • Focus on pollution (water, soil and air), land and water use, and solid waste.	• Policies in place such as Modern Slavery policy /Human Rights policy, and Supplier Code of Conduct; • Consideration of human rights risk including in the supply chains; • Independent Human Rights audit to identify any potential breaches.	• Adequate sick leave pay policies; • Board-level responsibility for corporate culture and employee well-being; • Worker voice and grievance mechanisms.	• Board structure; • Remuneration policies; • Succession plans.	• Disclosure around DE&I; characteristics of the Board and senior management • Commitments around DE&I.
Fixed income – Public	Priority sectors (identified based on relevance, exposure, and potential influence)	Oil and Gas, Utilities, Transportation, Finance.	Commodities (Oil and Gas; Basic Materials), Utilities (Water), Consumer non-cyclical (Healthcare / Pharma, Food and Beverage), Housing Associations.	Manufacturing, Renewables, Consumer non-cyclical.	Across all sectors.	Across all sectors.	Across all sectors.
Fixed income – Public	Engagement route	External managers, Direct by PIC analysts, Collaborative engagement initiatives.					
Fixed Income – Private	Description	Climate engagements with issuers with significant real-world impact on carbon emissions.	Engagement with issuers operating in sectors with high pressures on natural capital where we have meaningful exposure and influence.	Engagement on Modern Slavery, labour standards and human rights in the supply chains.	Engagement on corporate culture, ability to attract retain and develop workers and wider management of human capital.	Engagement on corporate governance topics around Board and management effectiveness and executive remuneration.	Engaging on Diversity, Equity and Inclusion topics at the senior level and more widely across the workforce.
Fixed Income – Private	Engagement objectives	• The company's decarbonisation plans are ambitious and credible; • Transparent reporting through additional disclosures or external verification (such as SBTi); • Integration of KPIs related to decarbonisation in the management remuneration structures.	• Policies to manage impact on natural capital; • Set targets / set out natural capital strategy; • Focus on pollution (water, soil and air), land and water use, and solid waste.	• Policies in place such as Modern Slavery policy /Human Rights policy, and Supplier Code of Conduct; • Consideration of human rights risk including in the supply chains; • Independent Human Rights audit to identify any potential breaches.	• Adequate sick leave pay policies; • Board-level responsibility for corporate culture and employee well-being; • Worker voice and grievance mechanisms.	• Regulatory compliance; • Board structure, maximum tenure and turnover; • Succession plans.	• Board DE&I characteristics; • Gender pay gap.
Fixed Income – Private	Priority sectors (identified based on relevance, exposure, and potential influence)	Housing Associations, Utilities, Transportation.	Utilities (Water), Housing Associations, Infrastructure, Renewables.	Infrastructure, Renewables, Housing Associations.	Across all sectors.	Across all sectors.	Across all sectors.
Fixed Income – Private	Engagement route	Direct by PIC analysts, collaborative engagement initiatives					
Real Estate	Description	Engaging on climate topics such as Net Zero Carbon, embodied and operational emissions, % energy demand from non-fossil fuels, and type of offsetting within the built environment.	Engaging on natural capital topics such as biodiversity net gain, urban greening factor, water usage, and circular economy within the built environment.	Engaging on topics of Modern Slavery, building safety and other health and well-being topics within the built environment.	Engaging on social value topics such as affordability rate, community engagement and within the built environment.	Engaging on corporate governance topics such as having necessary policies in place.	Engaging on DE&I topic within the built environment.
Real Estate	Engagement objectives	• Low embodied carbon emissions; • All-electric building with a high proportion of energy from renewable sources; • Minimum EPC ratings of B for new properties; • Climate and flood risk assessment.	• Maximising on-site biodiversity net gain; • Minimising waste and maximising materials re-use and recycling; • Reduce water use intensity.	• Modern Slavery policy in place; • Fire and Structural Safety compliance; • Healthy living environment for occupants including access to clean air and water; • Minimising the impact of climate change on occupants.	• Positive impact on the local economy through material and labour; • Affordable housing provision; • Community engagement; • Support for vulnerable tenants.	• Sustainable procurement policy; • Health, Safety & Well-being; • Anti Bribery and Money Laundering.	• DE&I policy of both developers and contractors; • Evidence of actions to promote diversity and inclusion (events, leaderships).
Real Estate	Engagement route	Direct via PIC Built Environment team and External Consultants (Buro Happold).					

We have a standalone **Stewardship Policy** which has been approved at our Board level and is published on our website.

Investment restrictions.

Given the underlying nature of our investments, our long-term time horizon and the tight parameters that regulate our industry, we must give careful consideration when applying sector exclusions.

We have nevertheless taken the view that investing in the following sectors is unsustainable and have imposed the below restrictions:

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

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

b. **Oil sector:**
   No new purchases of companies which exclusively focus on upstream activities. We aim to divest from such existing holdings over time. PIC will continue to invest in major integrated oil companies where they have decarbonisation commitments that are aligned with PIC's and have a credible strategy to deliver them. We believe such companies have an important role to play in the transition to a low carbon economy.

c. **Controversial Weapons:**
   We will never knowingly hold any security that is involved in the production of controversial weapons, anti-personnel landmines, chemical & biological weapons.

Other sustainability considerations.

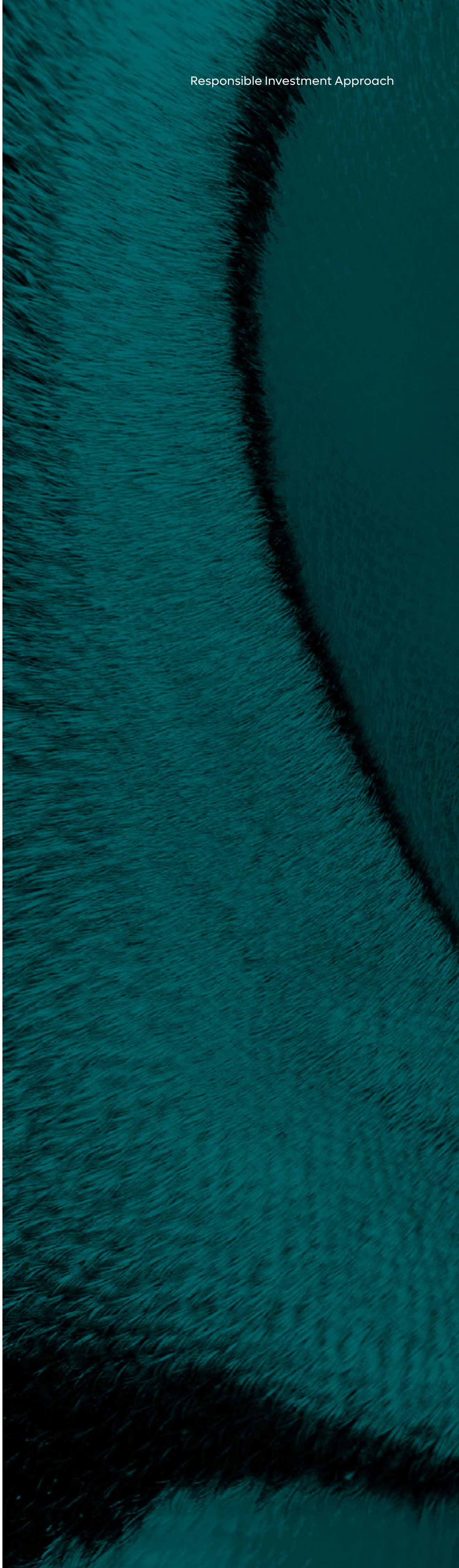
Responsible conduct

Whilst we encourage companies to move towards best practice, we accept that with large multinational companies there are occasionally ESG related controversies. Where these do occur, we seek evidence that the company has understood the cause of the issue and has been proactive in strengthening its management systems to ensure that probability of future controversies has been minimised.

Our approach to climate change

Asset owners such as PIC are well placed to play a core role in driving change, including through increased investment in assets that accelerate the transition to a Net Zero carbon economy, whilst maintaining a clear focus on the just transition. PIC supports the Taskforce on Climate-related Financial Disclosures recommendations, which builds on our commitment to be Net Zero across all sources of emissions by 2050 and our own emissions by 2025, as well as our membership of the UN-convened Net Zero Asset Owners Alliance.

Please see our most recent **TCFD publication** and **Transition Plan** which provide information around our journey to **Net Zero**.



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