



# Stewardship Report.

## Policy and Context

Pension Insurance Corporation PLC (PIC)



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# Policy and Context Report.

This Policy and Context (P&C) Report has been prepared in line with the FRC Stewardship Code 2026 guidance, which requires signatories to provide the foundational and contextual information that underpins their stewardship activities.

Submitted every four years, the P&C Disclosure sets out PIC’s organisational characteristics, investment beliefs, governance practices, stewardship policies and processes, and approach to client and beneficiary communication. These disclosures cover five core areas:

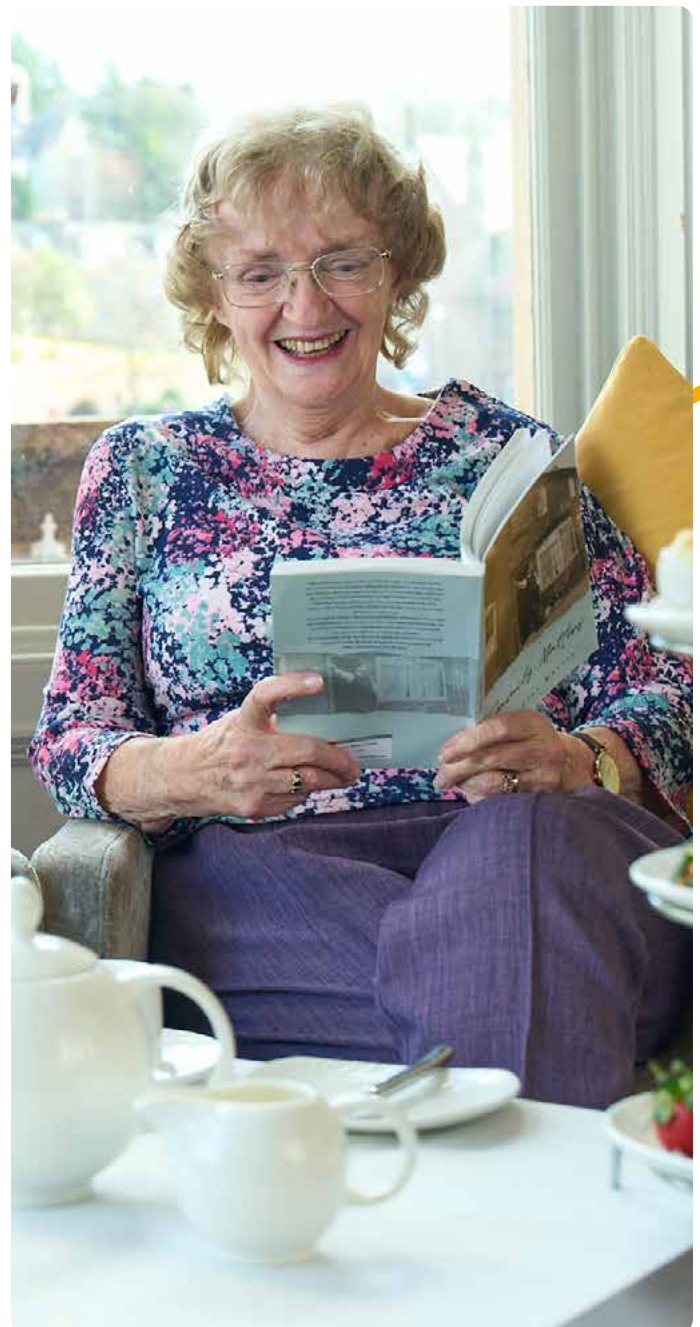
- A. organisation and stewardship approach;
- B. governance and resources;
- C. stewardship policies and review processes;
- D. management of stewardship related conflicts of interest; and
- E. dialogue with clients and beneficiaries.

The P&C Disclosure is designed to be read alongside PIC’s annual Activities and Outcomes (A&O) Report. Together, the two documents provide a complete picture of PIC’s stewardship: the P&C explains the policies, structures and intentions that guide our approach, while the A&O demonstrates their practical application over the reporting year. Alignment, consistency and proportionality across the two documents are central to the FRC’s expectations, with the P&C offering essential context to support a clear assessment of how the Stewardship Principles have been applied in practice.

In essence, the Policy and Context Report set out who PIC is and the framework within which we steward assets, while the annual Activities and Outcomes Report sets out what we did and the results achieved over the past year.

PIC will provide an annual breakdown of its assets under management (AUM) by asset class, investment process, and other relevant contextual metrics, within its A&O Report.

This report contains information that is accurate as at the time of writing (Q1 2026). PIC was acquired by Athora on 27 March 2026, we will undertake a review within the transition period to determine if this report will be required to be updated in 2027 or remain unchanged until its next submission to the FRC in 2030.



# A. Organisation, investment beliefs and stewardship approach.

PIC’s approach to stewardship within its investment portfolio including the responsible allocation, management, and oversight of capital to create long-term sustainable value for clients and beneficiaries is informed by its purpose, investment beliefs, strategy, and culture.

## PIC’s business model: creating long term value

We are a leading player in the Pension Risk Transfer (PRT) market. Our purpose is to pay the pensions of our current and future policyholders. We have insured the pensions of a large and growing number of individuals and have made significant pension payments since 2006, consistently achieving very high levels of customer satisfaction.

Our business model is based on:

- Insuring UK defined benefit pension funds through either a pension insurance buy-ins or buyout, thereby growing our policyholder base and asset portfolio;
- Delivering excellent customer service for trustees, policyholders, and other stakeholders; and
- Ensuring that assets are invested and managed in a way that leads to sustainable benefits for the economy, the environment, society, and our wider stakeholders, so that we can continue to meet our long term pension obligations over future decades.

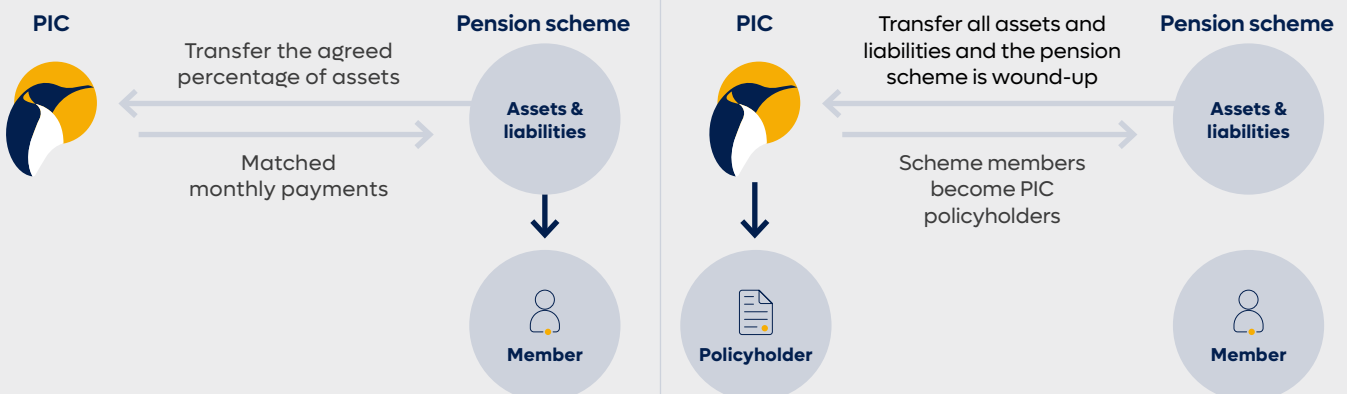
## Explanation of a buy-in and buyout

### 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.





## 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.



## 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.

## Investment beliefs

At PIC, we value the importance of sound stewardship, using it as a tool to deliver on our purpose and create long term sustainable returns. Our investment strategy is achieved through strong risk management and excellence in asset and liability matching.

All assets, particularly those covering regulatory capital requirements, are invested to ensure an appropriate level of security, quality, and liquidity of the overall portfolio. This supports the sustainable delivery of benefits for the economy, the environment, society, and our stakeholders.

The long term nature of our pension liabilities requires us to consider sustainability and climate risks over the same time span. We recognise that asset owners have a responsibility to drive long term change through responsible business and investment practices. Through our expanded governance and accountability structure, we ensure that sustainability is incorporated across PIC’s operating model.



## The four pillars of 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 turn brownfield assets into greener alternatives
- Providing local employment and skill development opportunities
- Financial and non-financial charity support

Further information on the PIC sustainability strategy can be found in our Sustainability report

Our standalone Stewardship Policy is aligned with our purpose, investment process, and business philosophy. Throughout the investment process, PIC focuses on making good quality long term investments, which minimise defaults and generate the inflation-linked, predictable long-term cashflows required to pay our policyholders' pensions. PIC's Stewardship Policy applies to all of our investments, whilst recognising that the large majority of the investment portfolio is invested in fixed income. We believe that as bondholders we can exert meaningful influence over issuing companies and engage with them to help drive positive change.

PIC's investment portfolio is predominantly invested in high quality assets that provide secure long term cashflows, including UK government bonds, investment-grade bonds, loans and cash. A meaningful proportion of the portfolio is invested in sustainable assets; these are assets that we define as having a business model that is meaningfully linked to solving one or more of the United Nations Sustainable Development Goals (UN SDGs).

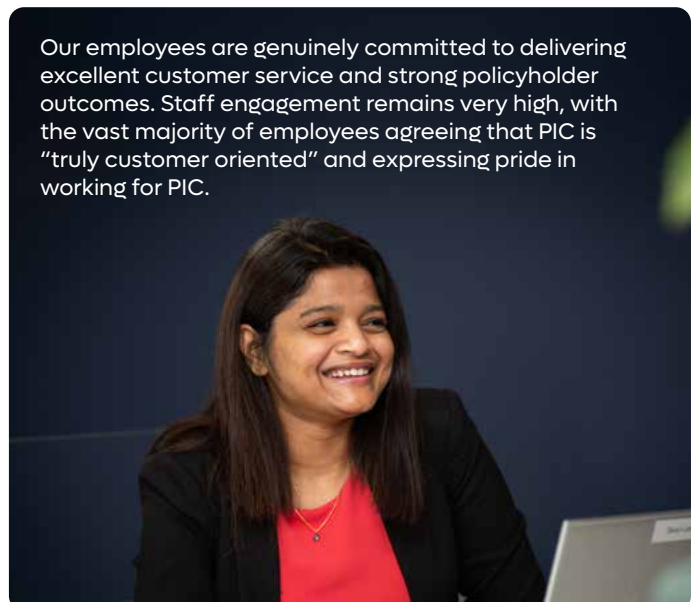
Framework available in our Sustainability report provides structure to this categorisation and the associated SDG linkages.

## Culture

We value all our stakeholders and work hard to provide exceptional service to policyholders, trustees and corporate sponsors. We listen to them and pride ourselves on our responsiveness to their requirements. PIC has long been a market leader in how we engage with, and the level of customer service we offer to, our policyholders. We continue to be recognised through industry awards for this commitment.

PIC recognises that its employees are its most valuable assets. Our customer focused culture underpins both our financial and sustainability related strategic success. Our culture has been nurtured over many years to ensure that each of us is focused on our customers. It has evolved as the Company has grown, supporting our journey to be a leader in a dynamic industry responsible for securing the pension benefits more than a million people across the UK, while channelling tens of billions of pounds into the UK economy.

Our employees are genuinely committed to delivering excellent customer service and strong policyholder outcomes. Staff engagement remains very high, with the vast majority of employees agreeing that PIC is "truly customer oriented" and expressing pride in working for PIC.



## Values

### Our values

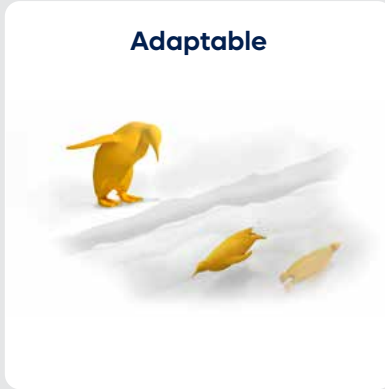
Our values – resilient, adaptable and loyal - are the principles underlying our culture, dictating the behaviours which allow us to fulfil our purpose and drive value for our shareholders.

They encourage diverse perspectives and a leadership mentality amongst our talented employees. They are PIC's way of doing things.

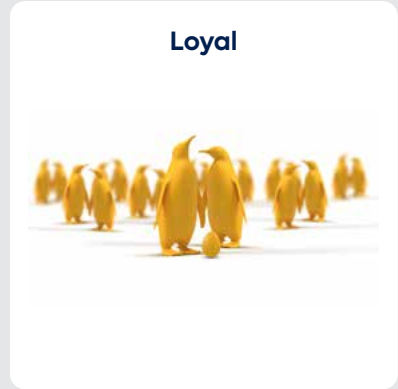
#### Resilient



#### Adaptable



#### Loyal



The above are attributes of our culture and are key to enhancing stewardship at PIC as they drive our overall business strategy and collaborative behaviour.

We demonstrate such values within our responsible investing overlay within all investment processes as well as focusing on excelling in client service.

## Strategic objectives

Our three strategic objectives guide the business as we fulfil our purpose.

The highlights of our ambitions are:

### 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**

In particular, our objective 'to carry on leading as a responsible corporate citizen' ensures that our behaviours reflect our values, including within our stewardship and engagement activities. By engaging with stakeholders constructively and empathetically, we mitigate business risks, enhance our reputation, and ultimately improve long term returns.

Our culture and values serve as a guiding framework for our stewardship activities. We prioritise providing our policyholders with the highest levels of service, clear communications, and the right outcomes, all while actively considering the broader societal impact of our activities through a sustainability lens.

## B. Resources dedicated to enable effective stewardship.

PIC dedicates significant resources to develop governance structures, expertise and organisational resources to ensure the effective delivery of its stewardship responsibilities.

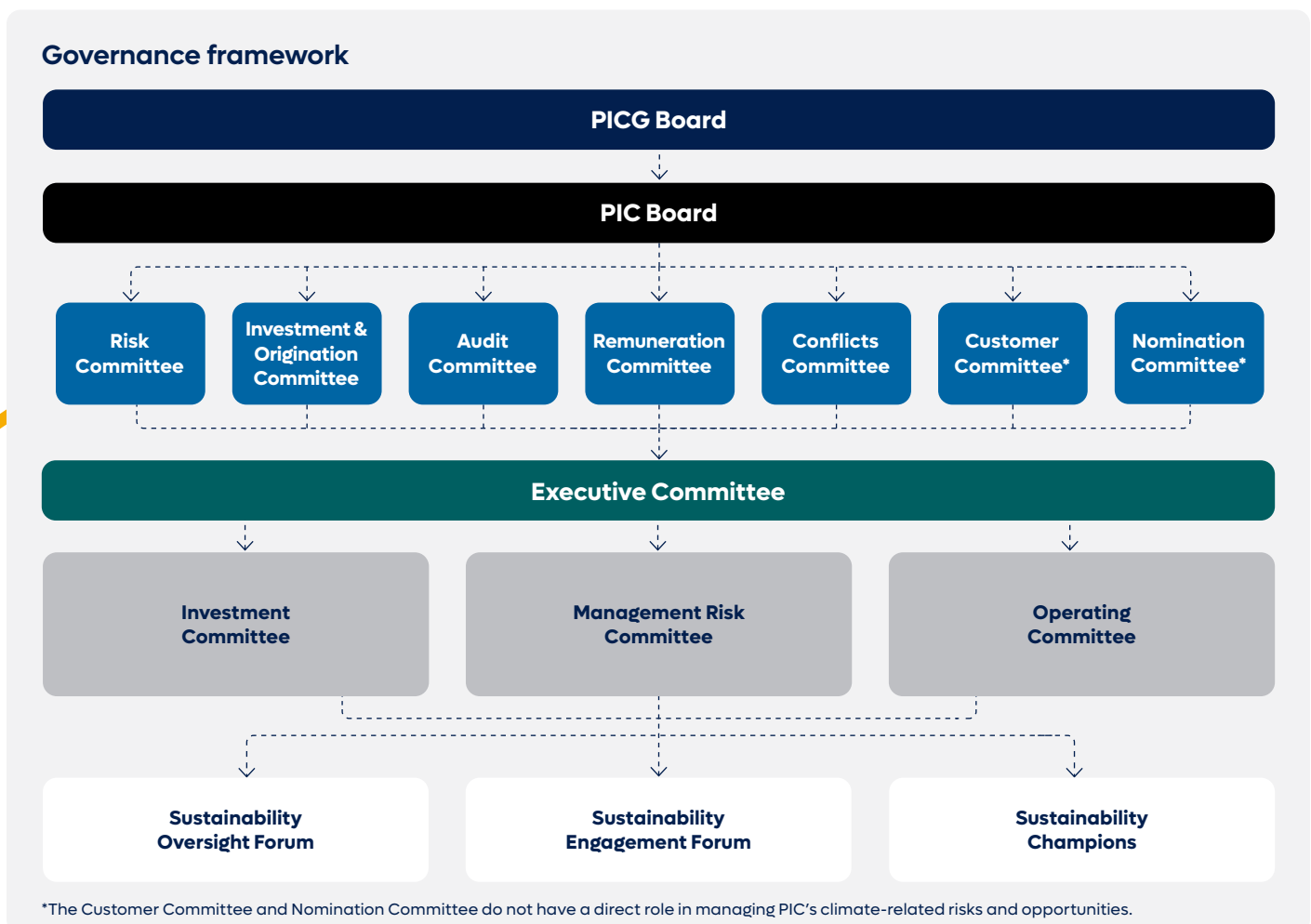
Oversight begins with the Board, which holds ultimate accountability for responsible investment and stewardship, supported by specialist Board committees, executive leaders and a number of management forums focused on sustainability, risk, investment and conduct.

Dedicated stewardship and sustainability expertise sits within the Responsible Investing team, led by the Head of Sustainability and supported by full time specialists. To ensure stewardship is embedded across PIC's operations, ongoing training and support is provided to the wider investment team, sustainability champions and business functions.

### Internal governance structure

PIC supports stewardship through its strong internal governance structure. PIC's Board has ultimate responsibility for PIC's responsible investing and stewardship activities.

The Board has delegated certain aspects of its responsibilities to its Board Committees which work closely together and assist in providing effective stewardship, oversight and leadership.



Members of the Committees are appointed by the Board. 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 PIC in relation to:

- The day-to-day management of the business;
- Investment matters;
- Risk management frameworks; and
- All new business deals and interaction with policyholders including Consumer Duty outcomes and overall conduct.

## Governance of Stewardship at PIC

The Board recognises that sustainability is critical for the success of the organisation and should be taken into account when making strategic decisions. Our chosen approach to governance ensures that priority and attention is given to this area by senior leaders within PIC. By recognising the importance of sustainability at the top of the organisation, PIC can navigate better the risks and opportunities that arise and build a more sustainable and resilient business.

### The Board

Sustainability is embedded within the terms of reference and responsibilities of the Board, the Board sub committees, and the Executive Committee. This ensures that sustainability matters are fully integrated into the Board agenda and that the sub committees have dedicated time to consider and discuss specific sustainability related issues within their respective remits.

This can be evidenced through ongoing:

- Review and approval of the Sustainability, Stewardship and Climate Risk Policies at the Board, Investment and Origination Committee (IOC) and the Board Risk Committee (BRC) respectively;
- Quarterly discussions on the portfolio's decarbonisation trajectory, ESG integration and stewardship progress at the Investment and Origination Committee (IOC);
- Review of climate risk metrics and risk appetite frameworks at the Board Risk Committee; and
- In-depth review of Task Force on Climate Related Financial Disclosure and Sustainability reports at the Audit Committee.

The Board has delegated the day-to-day implementation of PIC's sustainability strategy to various senior management figures within the firm. Executive leadership of sustainability matters sits with PIC's Chief Strategy Officer who drives and monitors PIC's progress in respect of its overall sustainability strategy. The Chief Investment Officer is responsible for considering ESG factors within investments and overseeing the progression of our stewardship and engagement strategy, while accountability for Climate Risk sits with the Chief Risk Officer.

The Head of Sustainability sets the strategic direction for PIC's overall sustainability strategy and ensures alignment with PIC's corporate strategy and helps ensure sustainability standards set by the Board/Executive Committee (ExCo) are met.

The Board's primary focus is to deliver on PIC's purpose. The Board promotes PIC's long-term sustainable success within a framework of prudent and effective controls which enable risks to be assessed and managed. The Board ensures that the culture and values of PIC are aligned so that it is successful in achieving its purpose, whilst at the same time generating value for shareholders and contributing to wider society.

Our three strategic objectives highlight our ambition for long-term value growth, ensuring that we behave as a responsible corporate citizen in pursuit of this ambition, and provide a secure and sustainable business for our stakeholders.

### The Sustainability Oversight Forum

The Sustainability Oversight Forum has the goal of further embedding sustainability within the business and ensuring oversight is distributed across functions. The forum provides a quarterly platform for senior stakeholders to discuss all issues, whether corporate or investment related, that have a sustainability angle, including but not limited to our stewardship activities. The Forum is chaired by our Head of Sustainability and is composed of senior employees including the Chief Investment Officer and Chief Strategy Officer. It allows its members to delve deeper into the complexities of sustainability issues, exchange ideas and insights, and develop strategies to address them.

### The Sustainability Engagement Forum – 'PIC Talks'

The quarterly Sustainability Engagement Forum is an all-staff meeting structured as Continuous Professional Development (CPD) Sustainability Training. It serves as a platform to inform the rest of the organisation about important sustainability matters, including updates on stewardship progress. This Forum not only provides a space for sharing updates but also plays a vital role in fostering sustainability awareness throughout the entire organisation.

Examples of topics that included stewardship covered in the Sustainability Engagement Forum were:

- An introduction to PIC's stewardship and engagement approach, demonstrating how our engagement strategy is applied in practice through case studies and insights from sector analysts. This highlights the importance of high quality dialogue with issuers' management on material sustainability risks that may influence investment decisions.
- Winning awards such as the Environmental Finance's 'Sustainable Re/insurer of the year award' which recognises the effort and influence we have demonstrated in promoting industry-wide progress.
- PIC's participation in various sustainability and stewardship industry initiatives, such as the Accounting for Sustainability ("A4S") Principles Charter for which PIC were the founding signatories and remain active working party members.

## Comprehensive sustainability representation across all levels at PIC

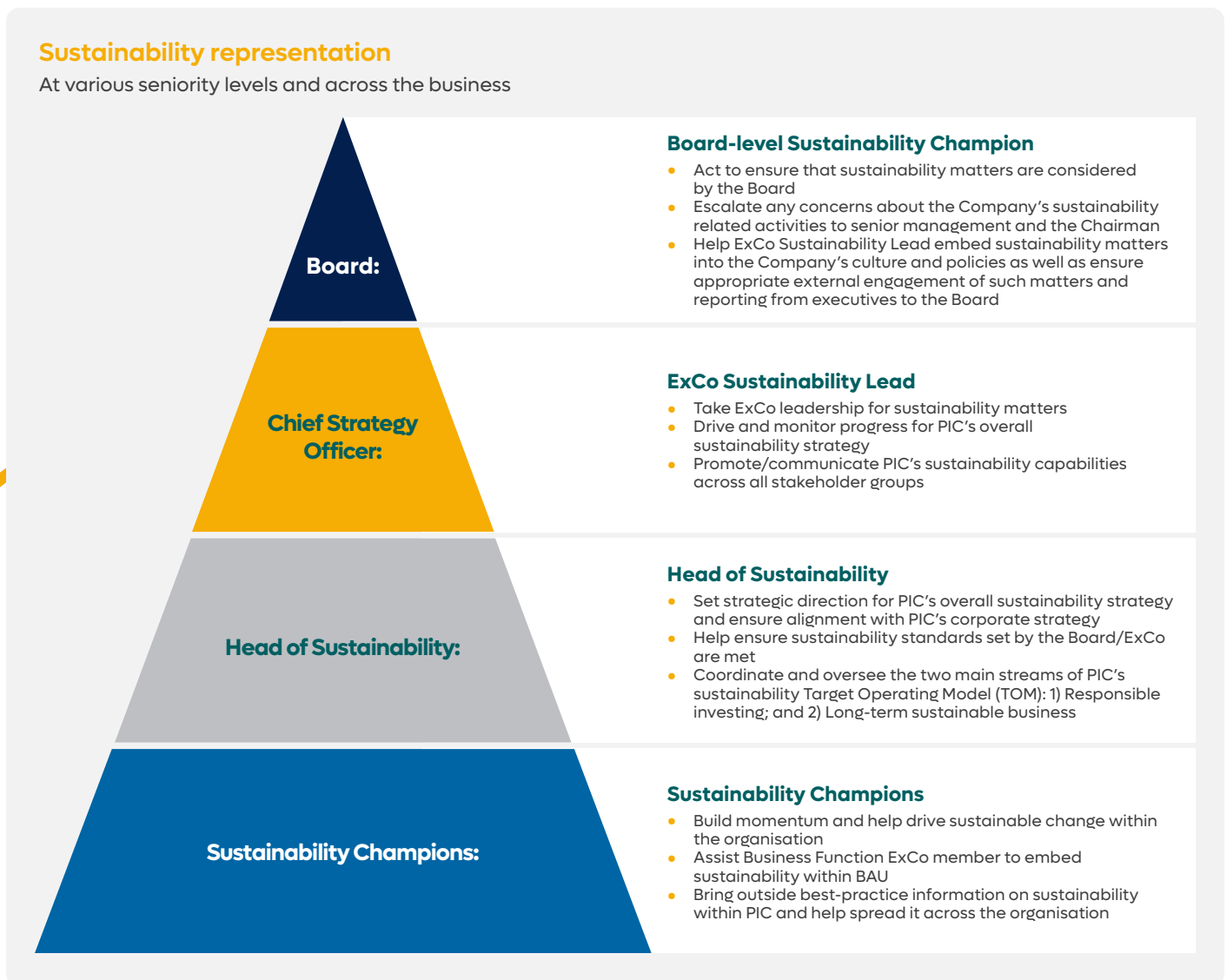
PIC has sustainability representatives across the business. A Non-Executive Director on PIC’s Board is the Board level Sustainability Champion. PIC’s Chief Strategy Officer has executive leadership on sustainability matters. PIC’s Head of Sustainability, takes on corporate level sustainability responsibilities in addition to a focus on the investment portfolio.

Since 2024, we have been running a Sustainability Champions initiative, involving c.15 employees from multiple departments across the organisation. Each champion leads their own department specific initiatives with the aim of embedding sustainability as a standard practice.

Each champion participates in formal sustainability training which equip them with the skills to take informed actions and share external best practices into their respective areas. The champions meet monthly, collaborating and supporting each other to enhance the success of their initiatives.

Some key achievements included the Risk team champion putting in place practices to assess and score ESG risk for our investment counterparties and providing department wide sustainability training. Our Credit Research team champion helped ensure the successful adoption of our new internal ESG rating methodology and encouraged other analysts to engage on ESG topics by promoting PIC’s Engagement Strategy.

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



## Ongoing training

PIC provides continuous stewardship and ESG training to ensure the Board, ExCo and staff remain up to date with evolving industry expectations.

This includes focused sessions for senior leadership on topics such as sustainability linked remuneration and non financial reporting, as well as wider organisational training on issues like human rights and modern slavery. In addition, the Head of Sustainability delivers regular training on ESG integration and engagement practices, supported by quarterly all staff Sustainability Engagement Forums. Together, these activities help embed stewardship knowledge and capability across the organisation.

## Sustainability dedicated resource

PIC's Responsible Investing team comprises of a Head of Sustainable Investment, an Investment Stewardship Manager and a Climate Lead. This team is supported by two dedicated Non-Financial Reporting professionals who sits within the finance function.

Together, they bring extensive experience across asset and wealth management, actuarial work, ESG integration, responsible investment policy development, impact investing and Net Zero advisory. The Investment Stewardship Manager leads PIC's stewardship programme, oversees external managers' engagement activities and acts as a subject matter expert to the wider investment team. This blend of specialist skills and professional qualifications ensures PIC's stewardship and responsible investment activities are informed, rigorous and effectively implemented.

## The wider team

Responsibility for stewardship and engagement activity is not limited to the Responsible Investing team.

As mentioned above, PIC has also named Sustainability Champions in all major business functions to embed sustainability within our culture and every-day processes. This demonstrates PIC's dedication of resources towards Responsible Investing, in addition to the application of sustainability matters falling within the remit of each function's business as usual.

Our expert credit analysts do the detailed risk analysis for credit-investment decisions, because they have the deepest knowledge of specific issuers. Our analysts consider material sustainability risks and opportunities alongside other factors and liaise with our Responsible Investing team on their findings.

Additionally, all members of the Credit Research team hold performance objectives tied to stewardship and engagement. This includes actively engaging with issuers that have high ESG risk and logging all engagements in our proprietary engagement platform. Every member of the Investments team is expected to consider ESG factors when reviewing an investment opportunity. This commitment ensures that our analysis is forward-looking, taking into consideration the risks associated with potential investments over extended periods, often spanning many decades. This forward-thinking approach aligns with our dedication to responsible investment practices and the long-term sustainability of our portfolio.

## Third-party ESG data providers

PIC uses external ESG data sources to provide relevant ESG data. This data is interpreted and analysed by PIC's credit research analysts in the context of our portfolio, and in light of our analysis determining what term we would be comfortable lending over.

For public corporate credit, the team use external ESG Risk Rating reports to assist in identifying sustainability risks of a company, and to determine how well these risks are managed. We incorporate climate data into our investment decisions to evaluate an investment's climate-related risk exposure and how factors, such as GHG emissions, decarbonisation commitments and projected competitiveness within a low carbon economy, could influence its long-term success. Please see our most recent **TCFD report** for more detail.

PIC is beginning to incorporate AI enabled tools into its stewardship activities, such as our Credit Research Analysts using AlphaSense, an AI driven market intelligence platform that aggregates and summarises material risks from a wide range of data sources. The insights generated help strengthen PIC's research, support evidence based decision making, and inform the focus and agendas of engagements with companies. AI outputs are used only as an input to analysis, with all stewardship and engagement decisions remaining firmly grounded in human judgement, robust governance processes, and clear evidence. PIC continues to monitor developments in artificial intelligence to identify opportunities to safely and responsibly enhance its stewardship processes in the future.



## Real estate assets – built environment

Specifically, in the area of built environment, we work with a specialist-built environment consultant, to perform due diligence and engage with our property developers to strengthen the environmental aspects of our design and construction standards.

Together, we bolstered our due diligence process and have created a proprietary two-stage, in-depth ESG due diligence assessment that we use to benchmark all incoming real asset investments against. We also use scorecards to retrospectively assess our existing portfolio assets in this sector to ensure they are aligned with our enhanced standards.

PIC is committed to helping the property sector transition to be more environmentally friendly as we consider this a forward-looking investment opportunity and the right thing to do for our society.

## Incentivising stewardship

PIC's Chief Investment Officer has objectives to ensure the integration of ESG factors alongside financial factors in the investment decision making process.

This is measured through Key Performance Indicators (KPIs) such as:

- Meeting Net Zero commitments and transition strategy actions; and
- Establishing ESG Integration frameworks for all asset and sub-asset classes.

PIC's Chief Risk Officer has an objective to own the approach to climate risk management and embed this in the organisation.

The majority of the Executive Committee have performance objectives linked to sustainability with specific KPIs included where relevant. Sustainability, and more specifically stewardship-related objectives, are also incorporated into specific team objectives. For instance, the Credit Research team currently has the following stewardship related objectives:

- Build knowledge of sustainability-specific issues within our respective sectors so that we can have quality engagements on such topics with issuers.
- Where PIC has access to management, ensure all transactions with High ESG risk scores are engaged with during the year.
- Ensure that all discussions with management on ESG factors are logged into our engagement platform.
- Collaborate with the Responsible Investing team on advancing PIC's Engagement strategy.

PIC ensures that sustainability is incorporated within objectives, and we continuously review the best way of bringing that into the remuneration framework.

## Assessing the effectiveness of our chosen governance structures and processes

We firmly believe that our current governance structure, which includes representation from all seniority levels across the firm, ranging from Board members to dedicated employees responsible for the day-to-day operations, ensures the effectiveness required for sustainable business practices.

This multi-level representation fosters a comprehensive approach to decision-making, drawing on diverse perspectives and experiences.

PIC is a signatory to the UN Principles of Responsible Investment and has been since early 2020. Our commitment to good governance and stewardship practices are reflected in the continuous strong scores PIC receives in the UN PRI assessment process.



Overall, this structure provides the governance, capability and organisational commitment needed to apply PIC's stewardship approach consistently and effectively.



## C. Stewardship policies and review processes.

The following describes PIC’s stewardship policies and the governance framework through which they are maintained.

It outlines the structure of PIC’s Policy Framework, including the Board approved Sustainability Policy (Level 1) and the ExCo approved Stewardship Policy (Level 2), and explains the scheduled and ad hoc review cycles that ensure these policies remain current and aligned with regulatory and organisational developments.

An overview of the internal and external assurance processes that support the effectiveness of PIC’s stewardship approach, including the operation of the “Three Lines of Defence” model is also outlined.

### Policy framework

PIC has a detailed Policy Framework Overview which is described below. Policies, including our Sustainability and Stewardship policies initially received Board level approval when first established. These policies are reviewed and updated on an annual or biennial basis as required.

Policies may also be reviewed on an ad-hoc basis from time to time due to external factors such as changes in regulation. PIC’s policies fall into three categories and are highlighted in the table below. For example, PIC’s Stewardship Policy is a Level 2 policy under the Level 1 Sustainability Policy:



## Policy review and sign off

# 1

### Level 1

The approval of each Level 1 policy is the responsibility of the PIC Board and approval may be delegated to a nominated Board sub-committee. Each Level 1 policy is monitored by a nominated member of ExCo, including a formal review of the policy requirements and how these have been implemented in practice. Any recommendations for changes are directed to the Board or relevant Board sub-committee. An example of our Level 1 policy is our Sustainability Policy.

# 2

### Level 2

Level 2 policies are prepared and maintained under the oversight of nominated ExCo members and submitted to ExCo for approval. As with Level 1 policies, the responsible ExCo member will carry out a regular review of each Level 2 policy in line with the schedule agreed for that policy and provide a report to ExCo. An example of a Level 2 policy is our Stewardship Policy, which stems down from the Sustainability Policy.

# 3

### Level 3

For Level 3 policies, the responsible ExCo member arranges for a senior member of PIC staff in their Business Unit with suitable knowledge and experience to carry out an independent review of these documents, to ensure that they comply with the associated Level 1 and Level 2 policies. The responsible ExCo member will inform ExCo of any material issues or changes in the Level 3 policies and has the authority to approve the Level 3 policy. An example of a Level 3 policy is our Conflicts of Interest Policy which stems down from our Compliance Policy (L2) and Assurance Functions Policy (L1).

## Sustainability and Stewardship Policies review

We regularly revisit and update both our level 1 Sustainability Policy, outlining PIC's commitment to sustainability matters, and our level 2 Stewardship Policy, detailing our approach to stewardship within our investment portfolio. The updates ensure that the policies remain up-to-date and aligned with the latest industry standards. Changes typically include:

- Updates to comply with the evolving regulatory environment in the area of sustainability such as implementing PIC's Anti-Greenwashing policy;
- Addition of references highlighting our status as a signatory to relevant industry initiatives;
- Revisions to the governance section to reflect any changes to member representation and/or committees involved in sustainability matters.

The policies are updated on a biennial basis, or more frequently if required to ensure they continue to be aligned with PIC's objectives around investment stewardship and sustainability more broadly.

Any changes to the Sustainability and Stewardship Policies are approved by the Board and the Board's Investment and Origination Committee respectively, following the review and governance process.

Our Sustainability Policy can also be found publicly [here](#).

The **PIC Responsible investment approach** document sets out PIC's approach to addressing Sustainability related risks, ESG integration process (both for directly and indirectly managed investments), and investment restrictions.



## Internal and external assurance

PIC has made significant efforts to enhance stewardship through sound assurance, both internally and externally. PIC's Assurance Functions Policy (Level 1) sets out the Board's requirements for the four assurance functions: Compliance, Risk, Actuarial and Internal Audit.

PIC's CEO ensures that each Assurance Function has the necessary authority, resources, expertise, and access to all relevant information and to all relevant staff to discharge its responsibilities. The Board requires the CEO and the Heads of the four Assurance Functions to develop a coordinated Assurance Programme. This ensures that the responsibilities of the Assurance Functions to review the activities of the functional business areas of the Company are carried out in a co-ordinated and efficient manner.

The CEO and the Heads of each of the Assurance Functions also provide annual reports to the Board which set out PIC's performance against the objectives of the Assurance Functions Policy and key outcomes from the individual functional reviews and the coordinated Assurance Programme, together with an assessment of the effectiveness of each of the functions.

In line with industry best practice, PIC operates a "Three Lines of Defence" model within which risk management responsibilities are split between the First Line business units, the Second Line functions (Risk, Compliance and the Actuarial Assurance Function) and the Third Line (Internal Audit). Within this model, in the context of Risk Management:

- First Line business units are responsible for carrying out risk management in their day-to-day activities, in line with the requirements of this policy.
- The Second Line functions are responsible for designing, implementing and embedding the Risk Management Framework itself and for providing assurance to management and the Board that the business is operating within the Risk Management Framework.
- The Third Line is responsible for providing PIC senior management, Board and Audit Committee with independent, risk-based, and objective assurance, advice, insight, and foresight.

### Compliance (internal)

PIC's internal Compliance Function advises the Board on the requirements of all relevant laws, regulations and administrative provisions, including those prescribed in the FCA Handbook and PRA Rulebook, and how these are addressed within the Company's operations. The team ensures adherence to sustainability requirements under such provisions across the organisation, supports the creation and management of compliance training for all staff, and prepares and reports on how effectively the Company's compliance activities are operating.

### Risk (internal)

PIC's Risk Function reports on the effectiveness of the risk management framework and coordinates the risk management training programme for staff. The team owns PIC's Climate Change Risk Policy and embeds sustainability risk within the Risk Management Framework. This includes incorporating sustainability considerations within the Risk Taxonomy and related frameworks and reflecting these developments within PIC's policy structure. Sustainability risk is recognised as a cross cutting risk with the potential to influence multiple strategic objectives. The Risk team reviews the climate related reporting and contributes to the Climate Risk Management sections, as well as evaluates relevant sections of the Stewardship Report.

### Actuarial (internal)

PIC's Internal Audit Function covers the entire breadth of the organisation (audit universe), including all PIC's activities, assets, and personnel. The scope of IA activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the PIC Board and Audit Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for PIC.

### Internal Audit (internal)

PIC's Internal Audit Function covers the entire breadth of the organisation (audit universe), including all PIC's activities, assets, and personnel. The scope of IA activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the PIC Board and Audit Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for PIC.

### External audit

PIC's external auditor provides assurance over the Company's financial reporting and associated disclosures. The scope of the audit includes consideration of the consistency of PIC's climate related reporting with the financial statements. In addition to this work, the external auditor is engaged to provide limited third party assurance over selected sustainability related metrics, issuing an assurance opinion on the information reviewed.

## Overall approach

PIC's stewardship policies and supporting processes provide a clear and robust framework for responsible investment. The structured policy hierarchy, regular review cycles and defined approval pathways ensure that our Sustainability and Stewardship Policies remain current, well governed and aligned with PIC's broader objectives. These arrangements are further strengthened by comprehensive internal and external assurance, providing effective oversight and independent challenge. As a result, PIC's stewardship approach is consistently applied, transparently governed and supported by strong organisational controls.

# D. Managing stewardship related conflicts of interest.

## PIC recognises the importance of effectively identifying and managing stewardship related conflicts of interest.

Our approach is grounded in clearly defined policies, strong governance processes, and practical safeguards that apply across the organisation.

As a specialist insurance company focused on insuring the pensions of defined benefit pension scheme members in the UK, PIC does not manage clients' money. Instead, PIC's clients and beneficiaries include:



**Policyholders whose pensions PIC pays**



**Pension trustees**



**Wider society through our sustainable investments in the economy**

While rare, our routine business activities occasionally encounter potential conflicts of interests. These conflicts can stem from various relationships, such as those with our shareholders, clients, or suppliers, introducing biases that could influence our decision-making process.

Examples include:

- Personal dealing in shares where PIC employees have access to insider information such as potential new pension risk transfer transactions;

- One of our employees having a personal relationship with one of the counterparties we work with – either a supplier, a contractor, a service provider or an employee of a company which is considering a pension risk transfer to PIC;
- PIC's interactions with pension scheme trustees where a Non-Executive Director (NED) holds a position on the Board of Trustees or Sponsor of the pension scheme giving rise to potential conflict of fiduciary responsibility;
- PIC targeting a company for engagement where the company is also considering a pension risk transfer to PIC or has another commercial relationship with PIC;
- PIC's investment in the same private deal from both equity and debt perspectives or supporting different equity sponsors in the same transaction.

### PIC's Conflicts of Interest Policy

PIC has a Conflicts of Interest Policy in place to manage the risks of conflicts. The Policy provides guidance and procedures for identifying, monitoring and managing conflicts of interest.

The Policy promotes the highest standard of integrity and requires employees to disclose their interests at least annually so that conflicts or potential conflicts can be identified and appropriate steps are put in place to mitigate them. It reminds all staff of their duty to act in the best interest of the Company and its Policyholders and reminds them to be alert to situations that may give rise to an actual or perceived conflict. The Conflicts of Interest Policy undergoes a review every two years to ensure that it remains up to date and appropriate to the business. All individuals joining PIC Group will be asked to complete a declaration of interests as part of their employment contract when they join the Company, and confirm their declaration on a yearly basis or if a new potential conflict materialises be required to disclose with immediate effect.

The Policy mandates the disclosure of any conflicts of interest at the commencement of each senior committee meeting, including Board and Board Committees.

This is included as a standard item on the agenda for every meeting. The Legal team also manage a 'Restricted List' of company names that is sent around to all PIC employees and forbids any personal account trading on companies on that list without a special circumstance waiver being sought out. If there is a conflict of interest with an external stakeholder, PIC manages this conflict from the very beginning of any process. Once a potential conflict of interest is identified, it will be assessed, and actions put into place to mitigate and manage it, ranging from the conflicted person not taking part in decision making to information barriers being put in place.

Following the acquisition of the Group by Athora, a new Board-level Conflicts Committee was established on 1 February 2026. This Committee is made up of independent Non-Executive Directors only and is responsible for reviewing, evaluating, and if appropriate, confirming a proposed Related Party Transaction as being arm's length with regard to the Related Party, as well as annually reviewing and approving the business' new Related Party Transaction Policy.

## Stewardship specific conflicts of interest and how we mitigate them

PIC acknowledge that there may be potential conflicts of interest in our stewardship activities.

For instance:

- When engaging with a private issuer to use our influence and promote better ESG practices, we may also be bidding with them on credit being issued. Our Investments team could be conflicted between potentially having challenging stewardship discussions and being selected as a lender in the issuance.

In this case, we rely on the fact that our engagement strategy is predetermined and approved by the Board, ensuring that our investment management processes, including engagement, remain unaffected by these relationships. There is sufficient transparency so that the Responsible Investing team can challenge other members of the Investment team if the right questions are not being asked of the issuing company. The Responsible Investing team encourage open discussion around ESG risks and opportunities surrounding each investment and embed these into decision making.

- Similarly, when PIC engages with a company sponsoring one of our existing pension schemes or is a sponsor of a prospective scheme, potential conflicts may arise due to the tension between PIC's engagement objectives and our interest in winning new business.

In this example, we would rely on two key elements to manage potential conflict. Firstly, there is a clear distinction between Investment and Origination teams who report to different Executive Committee members in PIC's organisational structure. Secondly, our engagement strategy is predetermined and approved at Board level, ensuring that our investment management processes, including engagement, remain unaffected by these relationships. We communicate our engagement approach with all sponsors, demonstrating our dedication to managing conflicts responsibly.



### Overall approach

Through clear policies, transparent governance, and structured escalation pathways, we ensure that potential conflicts are anticipated, identified and managed in a way that safeguards the integrity of our stewardship activities.



## E. Maintaining dialogue with clients and beneficiaries.

PIC provides tailored pension insurance buy-ins and buyouts to the trustees and sponsors of UK defined benefit pension schemes.

A key part of fulfilling PIC's purpose is balancing the needs and requirements of all our stakeholders.

Our main clients and beneficiaries are:

- The retail-level policyholders whose pensions we provide; and
- Institutional trustees and sponsors of UK defined benefit pension schemes who look to transfer their members' benefits to the protection of the insurance regulatory framework.

### Policyholders

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



Link to KPI's

- Solvency ratio
- Fitch rating
- Policyholder satisfaction

Link to strategic objectives



**To continue building a secure and sustainable business**



**To carry on leading as a responsible corporate citizen**

### 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



## Defined benefit pension scheme trustees and sponsors

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



Link to KPI's

- Solvency ratio
- Fitch rating
- Policyholder satisfaction

Link to strategic objectives



**To continue building a secure and sustainable business**



**To carry on leading as a responsible corporate citizen**

### 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

## PIC's policyholders

PIC secures UK defined benefit pension schemes, moving the pension promise into the security of the insurance regulatory framework, helping pensioners get their full benefits in a more secure environment.

Across the people whose pensions we look after, we have a mix of older, current pensioners and younger deferred members. The typical average age of members in a scheme we insure is around 70. Virtually all our policyholders are based in the UK.

Everything we do is designed to pay our policyholders' pensions. Pension scheme members are welcomed as our direct policyholders following a buyout transaction agreed by the trustees of their pension scheme.

PIC has long been recognised for its strong approach to customer engagement and high standards of service. We maintain industry accreditations that reflect our commitment to inclusive and accessible support, ensuring all policyholders are treated with care, respect, and integrity.

We continually seek feedback through surveys, insight activities, and direct engagement. This helps us improve our services and strengthen the quality of the experience we provide. Our approach has been recognised through external customer service accreditations and awards.

Through these channels, we gain valuable insight into what matters most to our policyholders: secure and timely pension payments, clear and transparent communication, consistently strong customer service, and confidence that the investments backing their pensions deliver positive social value. This feedback guides our ongoing priorities and helps shape the information we provide through our reporting, website, and policyholder events.

We hold events every year, 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.



Topics including the management of pensions and the investment of funds earmarked for future pension payments;



Updates from our senior leadership team such as from our CEO and CIO;



Celebrity guest speakers such as Dr Sarah Jarvis, Dr Rosemary Leonard, and John Humphrys, and a choice of complimentary services at our Policyholder Days.



### Activity Example: seeking beneficiary views – policyholder events

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, free events, to which we have welcomed more than 30,000 people since 2011. As a result of this feedback we increased the number of events from seven to 11 in 2025, to better cater for the changing geography of our growing policyholder base. In addition, we created an online video series, 'PIC on Demand', for policyholders, including those who are less able to travel.

PIC gathers beneficiaries' views and feedback at its policyholder events, through surveys, and directly asking policyholders for feedback. Through these methods we learn what matters to them. Policyholders care that their pensions are secure and delivered on time, that communications are transparent and easy to understand, that PIC maintains great customer service and customer outcomes, and that our investments that back their pensions are socially valuable. Taking this information on board, we have ensured that we continue to prioritise our strong customer service as well as communicate the socially beneficial impact of our investment portfolio via our Annual and Sustainability reports, on our website and within the presentations at Policyholder events.

## Pension scheme trustees

While our policyholders are central to our business, the clients in our business model are the pension scheme trustees looking to move their members' benefits to the protection of the insurance regulatory framework.

Because each deal is unique, communicating directly with trustees, or their selected advisers, is the communication method we feel most effectively allows us to understand their specific needs and how we should tailor our transfer proposal to them. We understand through these channels that some of the most important factors for them in assessing a potential risk transfer partner include a strong track record of delivering on commitments, exceptional client service, and a collaborative approach to long-term partnerships. We have taken this feedback on board and made sure to continue prioritising our customer service and building strong one-to-one relationships with each group of trustees and advisers within the pension community.

Good sustainability credentials are also a criteria increasingly focused on by trustees. Our Head of Sustainability is often asked to speak at annual trustee review meetings and pitches to trustees for new business. Sustainability related questions from trustees have often centred around ESG integration and our approach to mitigating climate change risk and our responsible investing approach.

Increasingly, we have been asked about our stewardship approach such as our priority engagement topics and specific case studies around demonstrating our engagement activity, which lets us know that this subject is growing in importance amongst pension scheme trustees.

We have seen an increase in expectations from advisers on our macro-stewardship activities, and how we are helping promote wider progress within the industry. PIC is an active industry participant which we explain further in our annual Activity and Outcomes report.

Our interactions with trustees have revealed a significant variance in expertise on Sustainability topics among trustees, with many smaller schemes lacking internal expertise in this area. However, we recognise that trustees often rely on advisor assessments, who in turn are providing us with valuable insights into industry trends. As a result, we also engage with advisors to gain a better understanding of trustees' priorities. We find that we score well on several advisors' sustainability scorecards owing to a number of factors:

- We are a signatory to the UK Stewardship Code;
- We are founding members and supporters of the Good Economy's Sustainability for Social Housing approach (founding member);
- We are a founding signatory and active participant in the A4S Sustainability Principles Charter for the Bulk Annuity process;
- We are transparent and clear in our reporting including on our stewardship approach and policies, despite our status as a private company;
- We are industry first movers in our engagement with selected counterparties such as reinsurers;
- We have executive level accountability for sustainability.

We will continue our direct conversations with current and prospective trustees as well as their advisers.

PIC maintains transparency through a range of public reporting, including the Annual Report, Sustainability Report, Climate Report (TCFD), and our Stewardship Report. These reports outline our investment philosophy, stewardship approach, and the outcomes delivered for policyholders and trustee clients.

Overall, PIC maintains clear and effective dialogue with policyholders, trustees and other stakeholders through tailored communication, regular engagement and transparent reporting. Feedback from these groups directly informs our service, investment approach and stewardship priorities. By sustaining open conversations and strong oversight across all stakeholders, PIC ensures its activities remain aligned with their expectations and long term needs.



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