

For the future.



Pension Insurance Corporation Group Limited
Annual Report and Accounts 2025



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

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

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

For our policyholders, their families and for communities.

For the future.

Strategic Report

2	PIC at a glance
4	Providing social value across the UK
6	20 years of PIC
8	Chairman's statement
10	Chief Executive Officer's review
12	Introduction to Athora
14	PIC's business model
16	Strategic objectives
18	Key performance indicators
20	Strategy in action
26	Customer care
32	Policyholder journey
34	Origination, reinsurance and transitions
38	Investments
46	Stakeholder engagement
50	Section 172 statement
56	Our people and culture
61	Sustainability
71	Chief Financial Officer's review
80	Risk management
90	Longer-term viability statement
91	Non-Financial and Sustainability Information Statement
92	Mandatory statutory climate-related financial disclosures

Corporate Governance

95	Chairman's introduction to Corporate Governance
96	Board of Directors
102	Corporate Governance report
116	Audit Committee report
120	Investment and Origination Committee report
122	Nomination Committee report
125	Remuneration Committee report
130	Board Risk Committee report
133	Directors' report
138	Statement of Directors' responsibilities

Financial Statements

140	Independent Auditor's Report to the members of Pension Insurance Corporation Group Limited
143	Statement of comprehensive income for the Group
144	Statement of financial position for the Group
145	Statement of changes in equity for the Group

146	Group statement of cash flows
147	Notes to the financial statements
203	Statement of financial position for the Company
204	Statement of changes in equity for the Company
205	Company statement of cash flows
206	Notes to the financial statements of the Company
209	Alternative performance measures
210	Glossary

The principal subsidiaries of Pension Insurance Corporation Group Limited ("PICG") are: Pension Insurance Corporation plc ("PIC"), the Group's regulated insurer; Pension Services Corporation Limited, the Group's service company; and PIC Holdings Limited, a holding company. This Annual Report is for PICG, but reference is made to PIC where it is the activity of the insurance company being reported on. Pension Insurance Corporation Group Limited is incorporated and registered in England and Wales under company number 09740110. Its registered office is at 22 Ropemaker Street, London EC2Y 9AR.

Our 2025 suite of reports

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



-  **PIC Group Annual Report and Accounts**
-  **PIC Company Report**
-  **Investor Results Presentation**



-  **Sustainability Report**
-  **Climate Report (TCFD) - Basis of Reporting**
-  **Climate Report (TCFD)**

2025 Highlights

Solvency ratio¹

257%

2024: 237%

Gross premiums written

£6,752m

2024: £8,064m

Equity own funds¹

£5,821m

2024: £5,800m

Profit before tax

£334m

2024: £371m

Adjusted operating profit before tax^{1,2}

£880m

2024: £875m

Total invested in the UK (private and listed)

£31bn

2024: £30bn

Adjusted equity¹

£6,560m

2024: £6,500m

2025 total dividends paid

£520m

2024: £400m

Financial investments

£54.8bn

2024: £50.9bn

Total pensions paid

£2.5bn

2024: £2.2bn

Total UK direct investments (private) to FY2025³

£15.0bn

2024: £13.8bn

Total number of policyholders

438,000

2024: 397,100

Policyholder satisfaction

99.0%

2024: 99.3%

Employee pride in working for PIC

93%

2024: 93%

In August 2025, Fitch Ratings affirmed PIC's A+ (Strong) Insurer Financial Strength rating

A+

1. The Group uses a range of alternative performance measures ("APMs") to assess the financial performance and position of the Group. The definitions of the APMs are set out in the Alternative Performance Measures section on page 209.
2. Adjusted operating profit before tax ("AOPBT") has been redefined to include the impact of investment-related management actions to better reflect the core operating performance of the business. The 2024 comparative has been restated to reflect this change.
3. Amount invested to date is estimated based on available historical data.

All mentions of Solvency II throughout the PICG Annual Report and Accounts 2025 refer to the UK solvency regime as modified by the PRA's 2024 reforms.

Recent awards



Our clients include



PIC at a glance

Who we are

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

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

Our strategic objectives



To continue building a secure and sustainable business



To carry on leading as a responsible corporate citizen



To keep on driving long-term value growth



For more information, see our Strategic objectives section on **pages 16-17**

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 in our talented employees.

They are PIC's way of doing things.

Resilient



Adaptable



Loyal



Our culture

Our customers are our priority

We value all of our stakeholders and work hard to provide exceptional service to them all. PIC's customers include policyholders, trustees and corporate sponsors.

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

Our people ensure we stand out from the crowd

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

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



For more information, see Our people and culture section on **pages 56-60**

PIC at a glance (continued)

PIC generates long-term social value ...

by taking care of our customers ...

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

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



Total number of policyholders

438,000



Policyholder satisfaction

99.0%



Number of schemes insured

324



For more information, see our Customer care section on **pages 26-31**

and investing purposefully.

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

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

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



Total UK direct investments to FY25¹

£15.0bn



Social housing¹

£2.8bn



Education¹

£2.4bn

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

Providing social value across the UK

The social and economic value of pensions.

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

The map below shows the value of the pension payments we have made to our policyholders broken down by the countries of the UK and nine English regions.

£2.5bn

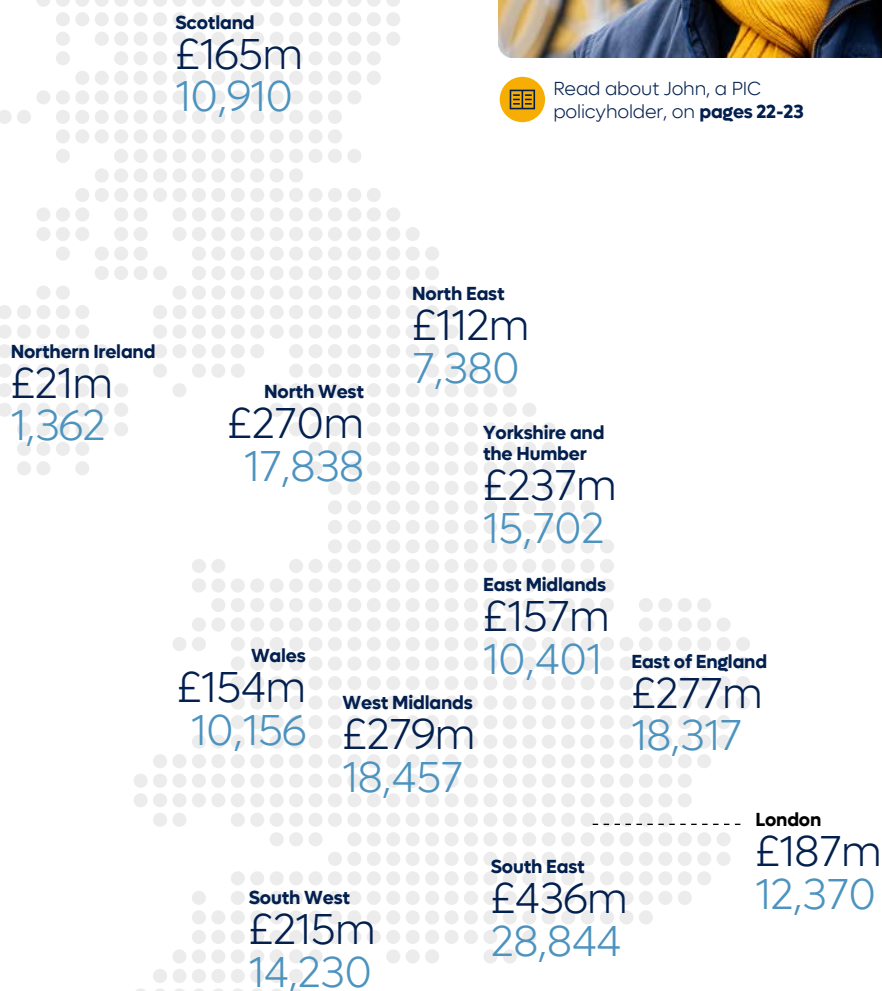
total pensions paid
(buy-in and buyout) 2025



Read about our transaction with Rolls-Royce on **pages 20-21**



Read about John, a PIC policyholder, on **pages 22-23**



● Pensions paid (buy-ins and buyouts) 2025¹

● Number of direct policyholders 2025



See the total pensions paid (buy-in and buyout) 2013-2025 in the Customer care section on **page 27**

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

Providing social value across the UK (continued)

Our investments secure more than the pensions of our policyholders.

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

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

£15.0bn

total UK direct
investments to FY25¹



Read about our Build-to-Rent development, One Eastside, on **pages 44-45**



Read about our investment in Haweswater Aqueduct on **pages 24-25**



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

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

20 years of PIC

For looking back and inspiring what's next.



Tracy Blackwell CBE
Chief Executive Officer 2015–2025

I have been privileged to help build an organisation, that over the past 20 years, has been defined by its clear purpose, strong performance and commitment to customer care.

Our culture, where people take pride in their work and act with integrity, remains PIC's greatest strength. PIC is well-positioned for its next chapter under Athora's¹ ownership, and I leave confident in its future and grateful to all who contributed to its success.

Multiple award winners within the industry



Six-time Pensions Age award winner



Six-time European Pensions award winner



Seven-time Institute of Customer Service award winner



Held the ICS ServiceMark with Distinction, the highest attainable award for customer service since 2016

Other awards and accreditations along the way



For our members, PIC stood out as a leading, reputable insurer who can be relied on.

Robert White
Chair of the TotalEnergies UK Pension Plan



The one thing that really stands out for me at PIC is the people, who are really passionate about the work they do, and you can tell that they care.

Ash Roberts
PIC Customer Experience and Accessibility Manager



PIC have been the easiest and most efficient organisation I have ever dealt with.

Richard Hunter
PIC policyholder



I want to thank PIC for sharing our vision for a more inclusive, dynamic, and economically resilient city. From creating new homes and jobs to revitalising our urban spaces.

Councillor Sharon Thompson
Deputy Leader of Birmingham City Council

1. Athora relates to Athora Holding Ltd.

20 years of PIC (continued)

Key milestones from our first 20 years

- UK Defined Benefit Pension deals
- UK Investment deals

Feb 2006
PIC founded, supported by an investor group led by J.C.Flowers.

May 2008
PIC completes its first transaction with the Swan Hill Pension Fund for £72 million.

Dec 2009
PIC completes £500 million buy-in with the Cadbury Pension Fund.

Cadbury

Nov 2012
PIC invests in the first ever UK publicly listed solar finance bond.



2006

Nov 2017
PIC invests over £100 million in Walney Extension Offshore Wind Farm Project.



June 2016
PIC completes £100 million investment in Thames Tideway Tunnel.



Nov 2015
PIC completes £2.4 billion buyout transaction with Philips.

PHILIPS

July 2013
PIC completes £1.5 billion buyout with EMI.

EMI

July 2018
PIC completes £1.3 billion buy-in with Siemens.

SIEMENS

August 2019
PIC completes £3.4 billion buy-in with British American Tobacco Pension Fund.

BAT

Dec 2019
PIC invests £160 million in University of York.

Sept 2020
PIC invests £130 million to fund construction of its first Build-to-Rent development, New Vic in central Manchester.



Feb 2023
PIC completes £6.5 billion buy-in with RSA UK pension scheme.

RSA

Oct 2022
PIC completes £102 million financing of new rolling stock to support West Midlands Rail Franchise.



Jan 2022
PIC invests in £130 million in Miller's Quay, the cornerstone project for one of the UK's largest urban regeneration project.



Nov 2021
PIC completes £2.2 billion buyout with the Metal Box pension scheme.

March 2023
PIC invests £50 million in Portsmouth Water to finance the UK's first reservoir since 1991.



July 2024
PIC completes second buy-in with the TotalEnergies UK pension plan, now covering all £2.8 billion of liabilities.

TotalEnergies

Aug 2025
PIC invests £300 million to support Haweswater Aqueduct Resilience Programme.



Aug 2025
PIC completes £4.3 billion full buy-in of Rolls-Royce UK Pension Fund.

2025

Chairman's statement

A continued focus on PIC's purpose.

Our business is at an important inflection point. The acquisition of Pension Insurance Corporation Group by Athora Holding Ltd ("Athora"), announced in July 2025, received regulatory approval on 6 March 2026. We anticipate formal close will take place on or around 27 March 2026.

Once it does, PIC will become part of a Group with Assets under Management and Administration ("AuMA") of over €130 billion, backing the pensions of more than three million savers and retirees across Europe.

PIC will represent approximately 45% of Athora's total AuMA. Our leadership team is looking forward to playing a significant role in the Group's overall growth strategy (read more in the Introduction to Athora section on pages 12 and 13).

As well as demonstrating confidence in the pension risk transfer ("PRT") market and the UK itself as an attractive investment proposition, Athora's investment is evidence of the success of PIC's strategy, implemented over almost two decades of hard work by many people.

I would like to take this opportunity to thank our existing, and soon-to-be-exiting, shareholders, Reinet, ADIA, CVC, and HPS, for their support and guidance over the years, as well as our smaller shareholders, many of whom have been with us since the beginning and helped us get started 20 years ago.

PIC was led with inspiration by Tracy Blackwell as Chief Executive Officer from 2015 until she retired from the business at the end of 2025. So many of us owe a special thank you to her. Tracy will be succeeded as PIC's permanent Chief Executive Officer by Mike Eakins, subject to regulatory approval. Mike will take up the role at a date to be agreed, following completion of the Athora acquisition.

I also want to thank Dom Veney, who stepped up to the role of Interim Chief Executive Officer in January 2026, providing leadership and direction. He will continue in that role until Mike starts. Dom has already played a significant role in the growth of PIC, most recently as Chief Financial Officer, since October 2021. In turn, Rachel Ware has very capably taken on the role of Interim Chief Financial Officer.

The business is firing on all cylinders as we embark on what will be an exciting but challenging year in the UK PRT market.



PIC will become part of a Group backing the pensions of more than three million people.

David Weymouth
Chairman

Chairman's statement (continued)

Solvency ratio

257%

Adjusted operating profit before tax

£880m

Employee pride in working for PIC

93%

Customer service

2025 was a very successful year for the Company as we continued to evolve our customer service offering for our policyholders. As ever, our simple purpose, which is to pay the pensions of our current and future policyholders, provided a focus for employees and for the Board.

With pension schemes being better funded than they have ever been, trustees are putting customer service right at the heart of pension risk transfer transactions.

We can see this in real time in the market, with many pension schemes prioritising customer service. Indeed, the £4.3 billion buy-in we signed with the Rolls-Royce UK Pension Fund hinged on whether the Trustee was able to partner with an insurance company with the same commitment to very high levels of customer care and support as they do.

To date, PIC has paid £19.3 billion of pensions to our policyholders, with a 99.0% customer satisfaction rating.

Culture

We are able to maintain this focus by having a collaborative culture that sits with our purpose and values as assets of the company. Together, they help employees understand the importance of our policyholders to the business.

This ensures that all decisions that are made in the business are made with our stakeholders, and policyholders in particular, in mind. This is demonstrated through our employee engagement survey, which showed that 93% of employees have pride in working for PIC, and 94% believe that PIC is focused on our customers.

Looking forward

PIC started the year with a very full pipeline of new business and the expectation is that tens of thousands of people will have their pension benefits secured for the long term within the pension risk transfer sector this year.

This is a very good news story for those pensioners, for the country as we continue to invest in UK housing and infrastructure, and for the City of London.

I look forward to an exciting year.

David Weymouth
Chairman



Read more about our customer service in our Customer care section on **pages 26-31**



Read more in our Corporate Governance section on **pages 94-138**

Chief Executive Officer's review

The most significant year in PIC's 20-year history.

2025 proved to be the most significant in PIC's 20-year history, with our shareholders accepting an offer from Athora Holding Ltd ("Athora") to acquire the total outstanding shares in PIC's parent company, Pension Insurance Corporation Group ("PICG"), and our long-standing Chief Executive Officer, Tracy Blackwell, retiring from the business.

I was delighted to be appointed Interim Chief Executive Officer from January 2026 and to be able to lead the business successfully through the completion of the regulatory approval process – the final part of the acquisition. As we announced on 6 March 2026, Athora have now received regulatory approval for the change in control of PIC, with the transaction expected to close on or around 27 March 2026.

Athora

Once the acquisition completes, PIC will be a significant part of one of the largest savings and retirement insurance businesses in Europe.

The combination of PIC with Athora and the resulting access to additional capital and complementary asset sourcing capabilities will be beneficial not only for our business, but also for pension scheme trustees as they look to secure their member benefits for the long term. This will provide further investment opportunities to benefit the wider UK economy. This acquisition – one of the biggest in the UK this decade – demonstrates that the UK's regulatory stability is a significant draw for overseas investors and that the pension risk transfer market has a huge future.

New business

PIC completed £6.8 billion of new business premiums during the year (FY2024: £8.1 billion), a strong total in a market that was below expectations at about £40 billion, due to several of the larger expected transactions being deferred to 2026.

By contrast, we expect a pension risk transfer market total of up to £50 billion in 2026, with a strong pipeline of new business showing that hundreds of thousands of scheme members can expect to have their pensions secured by our sector over the year.

In total, we completed 26 transactions during the year, covering the pensions of 56,000 pension scheme members. We continue to be active across the whole market, completing transactions with premiums from £7 million up to the groundbreaking £4.3 billion buy-in with the Rolls-Royce UK Pension Fund, in which we secured the pensions of 36,000 people.

The Rolls Royce transaction hinged on the ability of the chosen insurer to deliver at least the level of customer service to members which the Trustees had developed. We were of course delighted to win, not least due to the validation this represents of the significant investment we have made into our own customer service offering for our policyholders, demonstrated by our 99.0% customer satisfaction rating. To date we have paid £19.3 billion of pension payments to our policyholders.

PIC is recognised by the Institute of Customer Service ("ICS") as one of the highest performing customer service providers in the UK. We have held the ICS's ServiceMark with Distinction since 2017, as well as our ISO accreditation and BSI Kitemark for inclusive services for customers with vulnerable characteristics.

As scheme funding ratios have improved over recent years, PRT transactions have become less reliant on funding from corporate sponsors. We've seen more emphasis on a wider range of factors as part of these processes, including a marked increase in focus on the level of customer service. This has always been core for us, going to the heart of our purpose, and we constantly challenge ourselves on how we can evolve our customer service offering.

Assets

PIC ended the year with a portfolio of £54.8 billion (FY2024: £50.9 billion) and insurance liabilities of £50.6 billion (FY2024: £44.3 billion). Our purposeful investment strategy matches the secure, low-risk, cash flows provided by our assets to our pension liabilities, ensuring we can meet our commitments over coming decades.

At year end, we had a solvency ratio of 257% (FY2024: 237%). Maintaining an appropriate solvency position is key to our business model. Our hedging strategy ensures that we are able to match asset cash flows to pension payments in volatile interest rate environments. Our strong solvency ratio also demonstrates our capacity to continue to take on new schemes, meeting the needs of trustees and further growing our business.

The broad theme of the year was the move by insurers out of corporate debt and into gilts, because of the better risk adjusted returns available. Higher gilt yields are, on the one hand good for pension schemes because they improve funding positions, but have been detrimental for corporate borrowers by pushing up their cost of debt. At the same time, credit spreads remain extremely tight – in fact the tightest we have seen since before the Global Financial Crisis, meaning for relative value investors like PIC, there is a reduced available universe of appropriately priced investments.

Pensions paid in 2025

£2.5bn

Financial investments

£54.8bn

Policyholder satisfaction

99.0%



Customer service has always been core for us, going to the heart of our purpose.

Dom Veney

Interim Chief Executive Officer



This is not helped by the low numbers of housing and infrastructure projects being brought forward in the UK, for other, unrelated reasons, including an increased regulatory burden on those sectors. Despite this backdrop, we were delighted to invest £300 million in the Haweswater Aqueduct Resilience Programme ("HARP") as the largest single contribution to the programme's debt financing package.

HARP, delivered by United Utilities, will ensure the long-term transport of high-quality drinking water from the Lake District to Cumbria, Lancashire, and Greater Manchester, securing supply for 2.5 million people.

In response to the underlying market challenges, we have continued to evolve our investment origination strategy and have looked at additional ways of accessing the affordable housing market, including through Habiko, our joint venture with Homes England and Muse.

We are mindful of the increased focus by the media and regulators on private market investments, as lenders seek investment opportunities beyond more traditional listed markets. "Private markets" cover a very wide spectrum of investment opportunities, ranging across both private equity and private credit, and then within private credit there is a range of assets with vastly different risk profiles - from high yield leveraged loans to investment grade senior debt secured on underlying assets.

We have been a significant investor in private markets for almost 15 years, because the investment grade assets we can source there improve our ability to match our longer term pension liability payments.

Through direct interaction with our counterparties, we can agree cash flows in years when they aren't available within the public markets.

We have a low tolerance for risk, so our focus has been on investment grade debt, generally secured on the underlying asset. As such, we welcome the PRA's focus on this sector and the positive results from their stress testing.

2025 was also a year of progress in our existing Build-to-Rent ("BTR") developments. Four of our developments are now operational, with residents moving into the Wiltern in West London and One Eastside in Birmingham for the first time.

We were very pleased that our development in Milton Keynes, Arbour, won best BTR development at the 2025 Inside Housing awards, in recognition of its contribution to meeting local housing needs for key workers, innovative resident amenities, and sustainability rating.

To date we have invested £15.0 billion¹ in UK housing, infrastructure and other projects which create significant social value.

Policy work

PIC continues to play a part in policy development, in particular as part of the British Infrastructure Taskforce and Sterling 20, and we have taken part in the debate about the plans to allow surplus extraction from defined benefit pension schemes. In our view, it is hard to square this plan with the golden rule of pensions - which is to provide savers with financial security in later life. We have made our case and will continue to argue for security of member benefits as the best overall outcome.

We were therefore pleased with the results of the PRA's Life Insurance Stress Tests ("LIST") in December. The exercise simulated very severe stresses in financial markets, at points worse than the worst point of the Global Financial Crisis 2007-2008.

Our industry came through the LIST exercise very positively, with PIC performing particularly strongly.

This is a good part of the reason why policyholders with UK insurers can have great confidence in the sector, especially when compared to pension superfunds and defined benefit pension schemes, which have no equivalent stress tests.

Employees

None of this would be possible, of course, without PIC's very capable, and committed employees and I want to thank them for their hard work in the year and for remaining focused on doing the right thing through a period of uncertainty. One of the things that I continue to enjoy about PIC is its collaborative culture, which allows the business to fulfil its purpose and meet its strategic objectives. As demonstrated within our employee survey, 93% of employees are proud to work for PIC. We were delighted to be awarded the "We Invest in People - Gold" accreditation, and that PIC has been recognised as "Employer of the Year" for the second year running by the Actuarial Post. I look forward to celebrating PIC's 20th anniversary during the year with them.

Looking ahead

We have had an extremely busy start to 2026 and I have every confidence that the business will go from strength to strength as the pension risk transfer market continues to deliver for trustees, for their members, and for the UK economy.

Dom Veney

Interim Chief Executive Officer



Watch the
FY25 Results video

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

Athora's acquisition of PICG

Introduction to Athora.

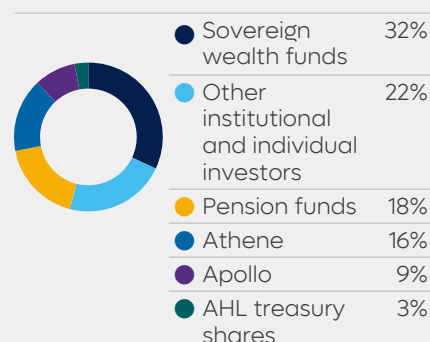
In July 2025, we announced that Athora Holding Ltd ("Athora") had agreed to acquire PICG, including its wholly owned subsidiary, Pension Insurance Corporation plc ("PIC"). The transaction received approval from the Prudential Regulation Authority ("PRA") on 6 March 2026. On completion of the transaction, expected on or around 27 March, PIC will become the UK insurance business of Athora.

Who are Athora?

Athora¹ are a leading pan-European savings and retirement services group managing €76.4 billion of Assets under Management and Administration ("AuMA") on behalf of 2.8 million policyholders across the Netherlands, Belgium, Italy and Germany. The acquisition will create one of Europe's largest savings and retirement businesses. The expanded and increasingly diverse Group is anticipated to deliver secure retirement solutions to a greater number of pensioners, while boosting investment in vital sectors throughout the UK and Europe. The Group has a Fitch credit rating² of 'A' (Rating watch positive).

Athora's shareholders³

Athora is privately owned by a diverse group of global investors that have taken a long-term approach to their investment in Athora. Its investor base comprises pension funds, sovereign wealth funds, family offices and financial services companies. Apollo Global Management, Inc. ("Apollo"), Athene Holding Ltd. ("Athene"), which is part of the Apollo group and the Abu Dhabi Investment Authority ("ADIA") are key minority shareholders in Athora.



ATHORA

Total Assets under Management and Administration ("AuMA")

€76.4bn

Policyholders

2.8m

Employees

c.1,430

Total IFRS Equity and CSM

€6,104m

Fitch Credit Rating²

A Rating watch positive



1. All Athora's numbers are as at 30 June 2025 (unaudited) unless otherwise stated.
2. Insurer Financial Strength rating. As at 4 July 2025.
3. As at 31 December 2024.
4. As at 31 December 2025.

Athora's acquisition of PICG (continued)

Athora's business model

Athora's business model is based on multi-channel growth, robust capital management, differentiated investment capabilities and scalable operations.

Strategic pillars and priorities

Grow

- Strengthen customer product offering and distribution channels
- Secure inorganic growth opportunities
- Execute on organic new business and Pension Risk Transfer ("PRT") opportunities

Optimise

- Maintain strong local and Group capital, and leverage profile, to drive policyholder protection
- Achieve ongoing capital generation and secure ability to distribute dividends from business units
- Deliver enhanced management information as part of ongoing transaction integration

Earn

- Drive attractive returns to customers
- Deliver strong investment returns in line with Strategic Asset Allocation ("SAA") targets
- Demonstrate the robustness of the investment portfolio

Operate

- Deliver improved customer satisfaction and engagement
- Achieve target cost structure whilst maintaining quality controls
- Execute change agenda and deliver a clear operating model

Foundations

People

Build a diverse and high-performing talent pool with strong retention

Governance and Risk culture

Ensure effective governance, and build regulatory credibility and trust

Sustainability

Sustainability maturity in line with market

About the transaction

We are delighted that the transaction has now been granted regulatory approval and PIC will become a formal part of the Athora Group, following completion targeted for the end of Q1.

PIC will then become Athora's UK insurance business and our entry point into the largest life insurance market in Europe.

The intention behind the acquisition is to build on PIC's many strengths and to support the business in two key ways.

The first is by providing long-term capital to underpin future growth in line with PIC's leading market position and the demand from trustees looking to ensure long-term security for their pension fund members.

The second is that Athora's asset origination capabilities, based on our strategic relationship with Apollo, will complement PIC's existing capabilities to source long-term, investment grade, privately-sourced assets to back future pension risk transfer transactions.

Most importantly, we will continue to build on PIC's ethos of excellence in customer service.

Once it closes, Athora will have AuMA of over €130 billion, backing the pensions of more than three million savers and retirees across Europe. PIC will represent c.45% of Athora's total AuMA and will be an important part of Athora's long-term strategy.

This investment reflects Athora's confidence in a highly successful business that plays a central role in the UK's large and expanding retirement solutions market. We look forward to contributing to the next stage of PIC's development as part of Athora.



We're delighted that the acquisition has been granted regulatory approval.

Todd Solash
President, Athora Holding Ltd



PIC's business model

How we generate shareholder value.

What we do

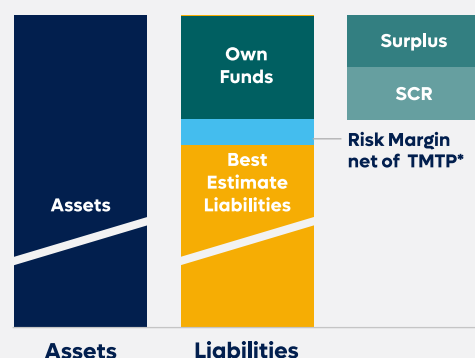
We de-risk UK corporate defined benefit ("DB") pension schemes, securing the members' benefits for the long-term and removing the pension liability from the corporate balance sheet. This process is done either through a buyout or a buy-in, as explained on page 15. We are a leader in the UK pension risk transfer ("PRT") market with a track record of completing 324 transactions with schemes varying in liability size from £7 million to more than £6 billion.

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

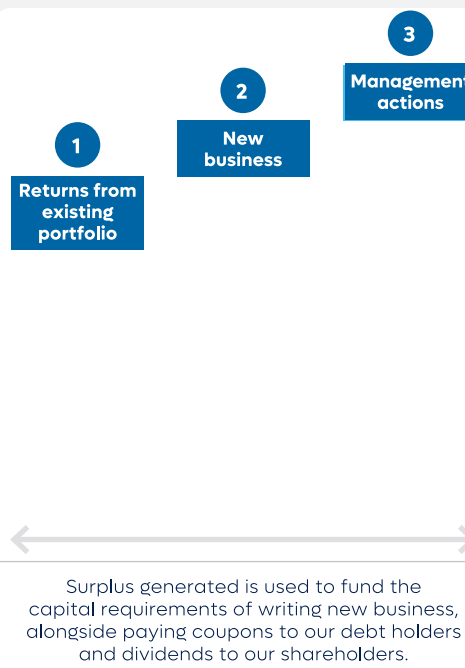
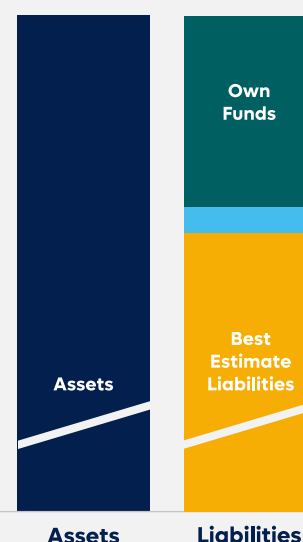
1. Returns from existing portfolio
2. Taking on new business (either a pension insurance buy-in or buyout)
3. Management actions to optimise the balance sheet

Illustrative solvency balance sheet

Opening balance sheet



Closing balance sheet



1 Returns from existing portfolio

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

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

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

3 Management actions to optimise the balance sheet

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

*Transitional Measure on Technical Provisions.

Supporting our dividend policy

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

2025 total dividends paid

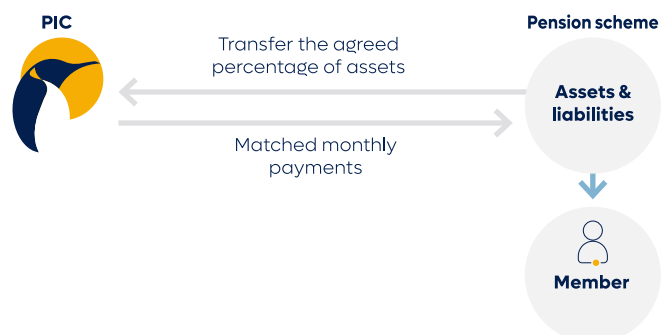
£520m
2024: £400m

PIC's business model (continued)

Explanation of a buy-in and buyout

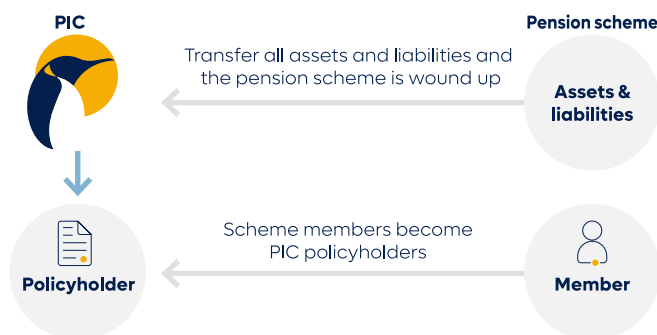
Pension insurance buy-in

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



Pension insurance buyout

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



Key steps in underwriting a new business transaction

Take on defined benefit liabilities

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

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

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

Transition assets

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

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

Match assets and liabilities

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

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

Optimise the portfolio

Scheme assets commonly include government bonds, corporate bonds and cash. However, larger deals may include a small allocation to assets that are not suitable for backing pension liabilities under insurance regulations. This is more likely the case if the scheme is winding up as part of wider corporate activity or the scheme is looking to transact in a shorter time frame, as typically a pension scheme may go through a period of selling such assets ahead of a transaction.

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

Paying the pensions of our policyholders

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

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

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

We are one of the highest-rated companies in the country for customer service. We are proud to have maintained a customer satisfaction rating over 97% for the 13th consecutive year.

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

Strategic objectives

Designed to fulfil our purpose.

PIC's purpose is to pay the pensions of our current and future policyholders. Our strategic objectives are the guardrails for the business as we fulfil that purpose. Maintaining a robust balance sheet is the financial foundation of our success.

Our purposeful investment strategy provides the long-term, secure cash flows we need, as well as creating significant social value. Our commitment to excellence in customer service gives trustees confidence their members will be in secure hands.

We have three strategic objectives:

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

For 2026, following completion, a major focus will be on the integration with Athora Holding Ltd ("Athora") and how we work together with the wider Athora Group to continue to deliver value growth.

Our key performance indicators ("KPIs") measure our progress as we pursue our strategic objectives. These are reviewed annually to ensure that they remain relevant and informative.



For more information on our KPIs, see **pages 18-19**

Key



Regulators



Counterparties



Trustees



Policyholders



Employees



Society



Capital Providers



To continue building a secure and sustainable business

Optimise resources

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

Performance in 2025

- The solvency ratio demonstrates our financial strength. Our current ratio of 257% is well above our long-term target range. As a result we are well-positioned to support new market demand in funding new business transactions.
- PIC's solvency surplus of £4.9 billion in excess of solvency capital requirements further demonstrates our secure and sustainable business model.
- Fitch affirmed our Insurer Financial Strength rating at 'A+' (Strong) and PIC's long-term Issuer Default Rating at 'A', both with a 'Stable' outlook in August 2025.
- At year end, 89% of PIC's total longevity risk had been reinsured (FY2024: 82%) across our panel of 14 global insurers.

Our focus in 2026

- To maintain strong levels of policyholder protection as measured by a strong solvency ratio.
- To maintain a low-risk portfolio to ensure secure, long-term cash flows across market cycles.
- To continue to work closely with existing clients and other stakeholders to support repeat business with trustees and investment counterparties.
- To source and invest in long-term, secure assets, such as UK housing and infrastructure.

Link to stakeholders





To carry on leading as a responsible corporate citizen

Ensure our behaviours reflect our values

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

Performance in 2025

- PIC paid £2.5 billion to our policyholders in 2025, with a 99.0% customer satisfaction rating.
- We delivered a full programme of in-person and online policyholder events, including one new location in the UK.
- PIC won the Best Customer Service Partnership award from the Institute of Customer Service ("ICS") for consistently high customer service levels.
- PIC won Environmental Finance's Sustainable Re/insurer of the Year 2025 award.
- PIC named "Employer of the Year" for the second year running by the Actuarial Post.
- PIC were reaccepted as a signatory to the Financial Reporting Council's UK Stewardship Code for the third year running.

Our focus in 2026

- To continue to provide excellent customer service and engage with our policyholders through a 2026 events programme.
- To continue to generate significant social value as we operate across the economy.

Link to stakeholders



To keep on driving long-term value growth

Generate attractive returns over the lifetime of the business

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

Performance in 2025

- PIC completed £6.8 billion of new business premiums across 26 transactions, with schemes including Rolls-Royce. Maintained disciplined pricing, consistent with internal rate of return targets.
- PIC continued to provide solutions for smaller pension schemes including the £25 million transaction with the Financial Services Compensation Scheme and the £36 million buy-in with the Helaba pension and Life Assurance Plan.
- PIC deployed £2.0 billion of privately sourced debt investments across sectors such as social housing, utilities and infrastructure, of which 33% was with existing counterparties.
- The sale of PICG to Athora will, following completion, realise value for our long-term investors. As well as our four large shareholders, this includes some of our smaller founder investors who have been with the Company since 2008 and current and former employees who have been invested alongside our external shareholders via share schemes such as our Save As You Earn arrangement.

Our focus in 2026

- To maintain our presence across the whole PRT market.
- To continue to evolve our customer service offering to meet ever-higher trustee expectations.
- To continue to invest in long-term partnerships with our stakeholders, including trustees, and counterparties.
- To strategically allocate capital where we can generate attractive returns.

Link to stakeholders



Key performance indicators

Measuring our success.

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

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

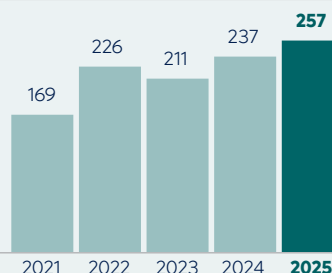


For more information on our strategic objectives, see **pages 16-17**



To continue building a secure and sustainable business

Solvency ratio¹ %



Definition

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

Performance

PICG's solvency ratio increased to 257% at 31 December 2025 (FY2024: 237%). This benefited from the expected returns from our in-force book, management actions to optimise our in-force assets and our capital position and favourable changes to valuation assumptions partly offset by the efficient deployment of capital to write £6.8 billion of new business.

Fitch Insurer Financial Strength rating

A+
(2024: A+)

Definition

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

Performance

In August 2025, Fitch Ratings affirmed PIC's Insurer Financial Strength rating at 'A+' (Strong) and PIC's long-term Issuer Default rating at 'A', both with a 'Stable' outlook. This impartial assessment demonstrates the financial strength of the Company and delivery against our strategic objective, to continue building a secure and sustainable business.

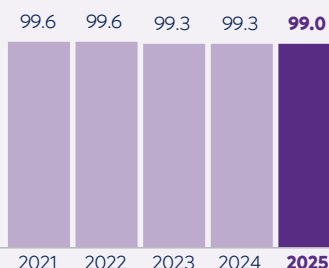
1. Solvency ratio, Equity own funds and Adjusted operating profit before tax are alternative performance measures. Please refer to the Alternative Performance Measures section on page 209 for further details.

Key performance indicators (continued)



To carry on leading as a responsible corporate citizen

Policyholder satisfaction %



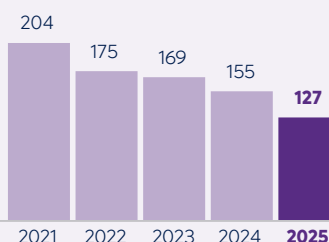
Definition

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

Performance

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

Carbon intensity tCO₂e/\$m revenue



Definition

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

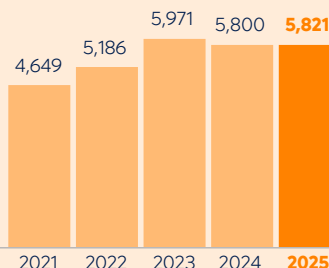
Performance

In 2025 we further reduced the carbon intensity of our investment portfolio and successfully met our interim target of a 25% reduction in the WACI of our public corporate credit portfolio. This progress reflects focused engagement with our most carbon-intensive investees and a natural decarbonisation of companies within the portfolio. We expect this, alongside our investment strategy that favours assets aligned to a low-carbon transition, to support continued progress towards our 2030 decarbonisation target and strengthen our resilience to climate-related risk.



To keep on driving long-term value growth

Equity own funds ("EOF")¹ £m



Definition

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

Performance

In 2025, EOF increased by £541 million exceeding dividend payments of £520 million. This included strong returns from our in-force book and surplus assets, new business contribution and actions to optimise the asset portfolio. EOF ended 2025 at £5,821 million (FY2024: £5,800 million).

Adjusted operating profit before tax¹ ("AOPBT")² £m



Definition

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

Performance

AOPBT for the year was £880 million (FY2024: £875 million). This increase was largely driven by higher reinsurance profits from prior year new business, largely offset by a reduced benefit from asset optimisation activity.

2. AOPBT has been redefined to include the impact of investment-related management actions to better reflect the core operating performance of the business. 2024 has been restated to reflect this change. Periods prior to 2024 are not available.

Strategy in action



To keep on driving
long-term value growth

For excellent customer service.

In August, we completed a £4.3 billion full buy-in with the Rolls-Royce UK Pension Fund, covering the Fund's total remaining liabilities and providing excellent customer service for 36,000 people.

A key consideration for the Pension Fund's trustee was partnering with an insurance company that shared their commitment to very high levels of customer care and support. This had been at the heart of the Trustee's strategy when running the Fund.

Rolls-Royce chose us due to our tailored proposition to ensure a seamless continuation of excellence in customer service for their pensioners.

Our focus on 'member-first' principles throughout the transaction has significantly raised the bar for insurance solutions and has paved the way for many more ground-breaking transactions in the future.



For more information, see our Strategic objectives section on **pages 16-17**



**Our members
are in safe hands
with PIC.**

Liz Airey

Chair of Trustees, Rolls-Royce
UK Pension Fund

Strategic
Report

Corporate
Governance

Financial
Statements



**This ground-breaking
transaction epitomises
what it means to put
pension scheme
members at the heart
of decision making.**

Michelle Wright

LCP Partner, Lead Transaction Adviser



Strategy in action (continued)



To carry on leading as a
responsible corporate citizen

For excellent policyholder experiences.

John has been a PIC policyholder for over five years, after transitioning from his previous pension scheme with Vesuvius. His journey with us shows how we provide excellent policyholder experiences.

"I was initially concerned about moving from a traditional pension scheme to an insurance company.

I had never heard of PIC and didn't know what it meant to be a policyholder with a pension insurance company.

PIC kept me well-informed, which gave me peace of mind and confidence in the change.

Their customer service is exceptional and getting help is easy, whether by phone, email or online. The team is professional, friendly and clear in communication. What sets PIC's customer service apart is how personal and responsive it feels; I never feel like I'm being passed around or ignored. I've attended some PIC policyholder events and appreciate the time they invest in building a relationship. In June, I was invited to the topping out ceremony of One Eastside, one of PIC's Build-to-Rent developments.

It was inspiring to visit a real-world investment that backs my pension. The development is having a visible impact on the local area, and it's clear that PIC is investing in projects that support urban regeneration and social value creation.

Thank you, PIC, for excellent customer service and peace of mind. It's good to know my pension is in such capable hands."



For more information, see our Strategic objectives section on **pages 16-17**



**It's reassuring to
know my pension
is tied to something
with a long-term,
positive impact.**

John Hancox
Proud PIC policyholder



Strategy in action (continued)



To continue building a secure
and sustainable business

For water security.

**In August, we invested £300 million in the
Haweswater Aqueduct Resilience Programme ("HARP").
Our investment will provide water security for
2.5 million customers across the Northwest of England.**

The Haweswater Aqueduct is a major feat of engineering. It's a 110km pipeline, built between 1933 and 1955, that uses gravity to carry 570 million litres of water every day in Cumbria, Lancashire and Greater Manchester. All six tunnel sections need replacing and it is one of the UK's most significant water infrastructure upgrades in decades.

Our investment is the largest single contribution to the programme's debt financing package and will contribute to regional resilience, environmental performance, and economic growth through local supply chain and employment opportunities. United Utilities are delivering HARP and benefits to the environment are uppermost. It will reduce leakage, improve operational efficiency and comply with evolving requirements for climate resilience.

Our financing supports sustainable infrastructure that delivers both community and environmental benefits alongside long-term financial stability for PIC's policyholders. Around 1,200 people will be employed at the peak of construction with an apprentice recruitment programme to help build and secure skills for the future.



For more information, see our Strategic objectives section on **pages 16-17**



£300m

**The largest single
contribution
to the programme**

Customer care

For policyholder peace of mind.



Lance DeLuca
Chief Operating Officer

At PIC, our customer service is the tangible outcome of our purpose.

During 2025, we continued to deliver exceptional standards for our 438,000 policyholders, receiving a 99.0% customer satisfaction rating on pension payments of £2.5 billion. To date, we have paid £19.3 billion in pension payments and our customer service rating has been above 99% for eight years. We continue to evolve our customer service offering to ensure that our policyholders always receive the right customer outcomes. Outcomes are considered across all elements of our customer service model, which is reinforced by our customer service pillars (see page 27). Together these embody the values and purpose that is part of the way we do things at PIC and make it easy for our customers to understand what they can expect of us.



We are proud to be recognised as one of the highest-performing customer service providers in the UK.

We are proud to be recognised as one of the highest-performing customer service providers in the UK, which includes our ServiceMark with Distinction accreditation from the Institute of Customer Service ("ICS"), as well as the BSI Kitemark for inclusive customer services – the gold standard for service to all customers including those with circumstances that might make them vulnerable. Our work with the ICS, the feedback we receive from policyholders at our unique events, and regular PIC-led customer satisfaction surveys, reassure us that we successfully keep our policyholders' needs at the heart of our business offering. This is increasingly reflected in the positive feedback we receive from trustees and was a key factor in our success with the £4.3 billion Rolls-Royce full buy-in, signed in August.

We are always looking to further evolve our offering. Customer expectations are constantly changing and our policyholders expect more from us year on year. During 2025 we have developed tools and features that make it easy for those that may need additional support to access our services. This included introducing two new "notification of death" services that reduce the administration burden at what can be a time of considerable emotional stress. Initial feedback demonstrates that these have been well received.

Administration service

We are proud to have a clear, straightforward purpose which drives everything that we do. All of our third-party administrators are expected to focus on this as well, and have dedicated ringfenced teams which ensure that they uphold the same level of care and consideration for policyholders as PIC employees do.

Although our administration operations are outsourced to carefully selected partners, we are clear that responsibility for customer outcomes, as well as the vision for our customer service model, belongs to PIC.

We know that being a PIC policyholder means so much more than simply seeing their pension payments in their bank account. We know that policyholders appreciate the ability to speak to us directly, to choose a method of communication that suits them and even have the ability to meet us face-to-face and stay informed about PIC at our unique policyholder events. We seek to ensure that each of our administration partners offer service in line with our expectations. This means providing:

- Processes and frameworks that can be followed by multiple administrators
- Consistent customer journeys
- One core suite of customer communications with the PIC look and feel
- Support services and signposting focused on our policyholders' needs

Through our customer service we demonstrate that we keep our promises, that we can be relied upon to pay pensions, respond quickly and empathetically. We show that PIC is a purposeful company. One that takes a long-term, secure and stable approach to the investments that back their pensions and generate the future cash flows that they rely on.

Lance DeLuca
Chief Operating Officer

Policyholder satisfaction surveys

PIC monitors its satisfaction surveys closely

99.0%

of respondents are "satisfied or better" with our service in 2025

83.5%

gave PIC's service the maximum score

>97%

Our customer satisfaction has remained above 97% for the last 13 years

Customer care (continued)

PIC's customer service model

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

You can rely on us

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

Dealing with us is easy

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

We treat you with care and consideration

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

Our customer service pillars

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



We bring the human touch

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



We're responsive

Calls are answered within an average of 9 seconds for 2025, and 96.7% of customer cases are responded to within three days.



Customer quality is paramount

Our customer service teams delivered a 98.5% quality assurance pass rate for written and telephone case work throughout 2025, with oversight from the quality assurance teams. This is demonstrated in our customer satisfaction score of 99.0%.

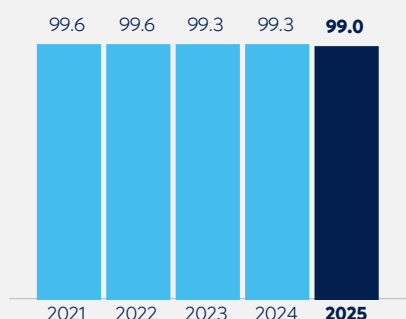


We focus on customer understanding

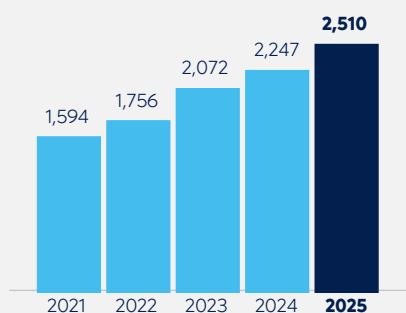
Communications are clear and easy to understand, with our standard suite of communications Crystal Mark approved, with Platinum status (see page 32).

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

Policyholder satisfaction (five-year trend) %



Pensions paid to policyholders £m



Total pensions paid (buy-ins and buyouts) 2013–2025¹

£19.3bn

East Midlands	£1,207m
East of England	£2,126m
London	£1,436m
North East	£856m
North West	£2,070m
Northern Ireland	£158m
Scotland	£1,266m
South East	£3,347m
South West	£1,651m
Wales	£1,179m
West Midlands	£2,142m
Yorkshire and the Humber	£1,822m
Total	£19.3bn

1. Total paid to policyholders from 2013 onwards. Amounts paid before 2025 have been adjusted for inflation.



Customer care (continued)

Policyholder events

One of the things that makes PIC unique in our industry and within the wider financial services industry is our policyholder events programme. PIC offers policyholders a programme of events that are designed to provide them with opportunities to meet the people that work at PIC and understand how we secure their pensions. This includes those in senior leadership positions as well as more junior employees, and teams from across the whole business, not just the day-to-day customer operations department. In 2025, we held a total of 11 events with over 3,500 attendees including 280 employees, our largest ever employee attendance, helping to reinforce our purpose-led culture.

As well as a business-focused section at the full day event, the highlight of the agenda is a talk from a celebrity guest speaker. We share updates from our charity partners and insights from policyholders on making the most of retirement, through our inspirational stories series. In addition, our face-to-face events give policyholders a chance to meet up with former colleagues and friends.

Our virtual "PIC-On-Demand" series provides advice and information on a range of topics that our policyholders have told us they're interested in. In total we produced nine webinars on areas such as travelling, online safety and fraud awareness. These episodes give policyholders who aren't able to attend an in-person event the opportunity to stay in touch with PIC.

All our events are free of charge to our policyholders. Each year a portion of policyholders are invited to attend and we have had almost 33,500 policyholders and guests attend in total since our first one in 2011.

The feedback we receive from these events is consistently high, with the 2025 Net Promoter Score, which indicates the likelihood that policyholders would recommend the event to someone, at 75%. We also continued to hold customer insight activities at these events to help us continue to improve our customer service offering tailored to what our policyholders need from us.

Benchmarking and the ICS ServiceMark with Distinction

PIC has been a long-term champion of delivering high standards of customer care. We work hard to ensure that our customer service provision is industry leading. We have been involved with the ICS for more than a decade as they measure and evaluate our customer service approach and outcomes.

The ICS is a leading independent professional membership body that works across industries and provides its members with market intelligence and best practice in the field of customer service.

PIC received its first ICS accreditation, the ICS ServiceMark, in 2015 and we currently hold the ICS ServiceMark with Distinction, the highest award available, retained since our assessment in 2020 and subsequent reassessment in 2024. This award demonstrates consistently high customer service levels and gives us external validation of the results we see from our internal benchmarking and customer feedback.

In addition, during 2025 PIC won the ICS UK Customer Satisfaction Award. In fact, PIC is consistently awarded for its customer service, and this year's win is the seventh we have received from the ICS, evidence of our status as a pension provider that our customers can count on to make accurate and reliable and timely payments, making a positive impact to their lives.

Key stats

55%

Net Promoter Score¹

99.0%

Customer satisfaction rate

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

Service delivery times

97.6%

of calls answered within 30 seconds in 2025

9 secs

average speed of answer in 2025

Being proactive with complaints

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

0.85

reportable complaints per thousand policyholders in 2025

Customer care (continued)

Customer accessibility and supportive services

PIC has a rich heritage in understanding our customers. Once they start drawing a pension, our policyholders are with us for life. This, along with our policyholder demographic, means that it is likely that changing circumstances can lead to vulnerabilities during a customer's time with us. Things like hearing, sight and overall health can deteriorate. Bereavement or other challenging life events can also impact the reason policyholders contact us. We work hard to make sure we can support all policyholders no matter their personal situations.

During 2025 we introduced two new ways for policyholders or their beneficiaries to notify us of a death. PIC has partnered with Life Ledger, a service which lets people inform multiple organisations about a death with one interaction. Life Ledger is now embedded into the bereavement section of our website. The second is a simple webform on the front page of our customer portal, before the login screen. They both support people who can't or don't like to use the telephone, or who might struggle to find the time to get in touch with us. Both are open 24 hours a day, seven days a week, so people can use them at a time that suits them and without having a potentially emotional conversation. These services can help us stop payments to a deceased policyholder, reducing the number of overpayments and redirect payments to the appropriate dependant where needed. Both new contact methods reduce the administration burden during an otherwise difficult time.

Another innovation during the year was proactively signposting to our customers about the range of communications formats, channels and support services available to them.

This is sent to every policyholder as part of their suite of welcome materials. We also re-send the information leaflet to every PIC policyholder every year, with our policyholder events invitation. This shows our policyholders that we're serious about treating them with care and consideration and making it easy for them to deal with us.

Changes like these led to an increase in the number of customers that are aware of our support services. Alongside other initiatives, this warms our policyholders up to having a conversation with us about any extra support they might need from us. By including this leaflet in our regular mailings, adding wording to our recorded greeting and working with our customer service teams to proactively ask customers in any interaction they have with us, we've supported over 7,000 customers in 2025 with situations like disabilities, health issues and communication adjustments.

Measures like these mean we continue to be the only insurer globally to be awarded ISO 22458, the gold standard for accessible and inclusive service to customers with vulnerable circumstances, an ISO standard and the BSI Kitemark for consumer vulnerability.

We constantly evolve our offering to customers based on feedback, insights and metrics to allow us to cater for the varying needs of our policyholders over the long-term relationship we have with many of them.

Alternative forms of communication

Alongside some of our enhanced features, we recognise that people have very different preferences when it comes to the way in which they want to engage with us. We therefore offer alternative forms of communication for customers that don't want to call or can't use the phone. Our webchat service, like our telephone line, is managed by highly trained, specialist customer service operatives, rather than chatbots.

This ensures the standard of service is the same as for those that choose to call in. We provide email as an alternative to hard copy letters where that is the customer's preference and we provide large print or Braille format documents when a policyholder has requested them.

Other forms of support for those that may struggle with poor eyesight include audio files, and even a ring and read option where one of our team can read through documents and payslips with the policyholder. In addition, we use a specialist video calling feature where policyholders can access customer support alongside a British Sign Language translator.

We continually monitor our website accessibility and all our standard written communications are Platinum Crystal Mark approved.

Policyholder interactions with a personal touch

As the world around us becomes more automated, and PIC embraces new technology for some of our internal business functions, our focus continues to be on including the personal touch in all our interactions with our policyholders. As people become older, they can become isolated and we're committed to keep the interactions they have with our customer service team as human as possible. We've never had automated menus on our phone lines, and we don't have chatbots on our webchat service.

Whilst we continue to think about automation of processes, new technology and efficiency, this won't be at the expense of human conversations with our policyholders. Policyholders are able to speak to a person. For example, embedded voice analytics help one of our administrator partners to identify customer needs during calls. We see this as an enabler and are looking to roll this out to the other partners. It supports and prompts the customer service team, allowing them to concentrate on having an empathetic, supportive conversation with our customers.

Customer care (continued)

Case study: **Policyholder story**

For financial security.

Steve has been a PIC policyholder for several years, having previously been part of the ITV pension scheme. Steve's retirement story shows why delivering on our pension promises is key to ensuring financial security for the future.

"In March, I discovered a walking football group and, with some trepidation, I decided to join, having never played football before.

It turned out to be a great decision! Beyond the physical benefits that walking football provides, it has given me confidence and a sense of camaraderie with the team.

After each match, we share tea, biscuits and plenty of conversation, and I feel I have built some genuine friendships over the past few months.

My pension couldn't be with a better company than PIC. I have attended their policyholder lunches which are great. They create opportunities to catch up with old work colleagues and to meet and hear from the people working at PIC. I can't think of another company that does this. Their portfolio is fantastic, backed by the expertise to manage it effectively. Knowing my pension is paid regularly gives me peace of mind and the freedom to enjoy life.

My future feels secure because my pension is in safe hands."

Steve Watson

Proud PIC policyholder



Customer care (continued)



**My future feels
secure because
my pension is
in safe hands.**

Steve Watson
Proud PIC policyholder



Policyholder journey

Our policyholders are central to our business.

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

 For more information, see our Customer care section on **pages 26-31**



1

From pension scheme member...

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

What differentiates us

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

2

via a transition period...

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

What differentiates us

We hold the Platinum Crystal Mark from the Plain English Campaign. This certifies that relevant policyholder communications are in plain English.

3

to PIC policyholder.

We genuinely seek to do things better for our policyholders.

What differentiates us

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

We consistently score highly for customer satisfaction, achieving 97% or more for the last 13 years.

Creating connections

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

They include:

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

Policyholder journey (continued)

Case study: **Policyholder events**

For policyholder connection.

Our purpose is to pay the pensions of our current and future policyholders. Everything we do supports them and their long-term financial security.

We continue to invest in our much loved policyholder days and lunches which provide valuable opportunities for us to engage directly with our policyholders. This year, we delivered our largest-ever policyholder events programme, expanding it to 11 events across the country and welcoming more than 3,500 attendees.

Our London policyholder day was held at the iconic Alexandra Palace with almost 800 people in attendance. Senior managers made presentations on how we invest securely to pay pensions, how we create social value as well as a focus on PIC's customer care.

Policyholders are able to reconnect with former colleagues, establish new friendships, and experience the sense of community that comes with being a PIC policyholder.

We continued to offer 'PIC On Demand' a video series covering a range of topics of interest to policyholders that are unable to attend our in-person events. The videos are designed to be informative, educational and entertaining and are a supplement to our policyholder events.

Over the past 15 years, our events programme has been attended by more than 33,500 people.



**The event was
great and far
exceeded my
expectations.**

PIC policyholder



Read about John, a PIC
policyholder, on **pages 22-23**

Origination, reinsurance and transitions

The evolution of customer service.



PIC completed £6.8 billion of new business premiums (FY2024: £8.1 billion) during the year covering the long-term pension benefits of c. 56,000 defined benefit pension scheme members.

PIC's performance

In total, we completed 26 transactions during the year, across schemes of all sizes. Our largest transaction, and one of the single largest transactions in the market this year, was our £4.3 billion full buy-in with the Rolls-Royce UK Pension Fund, which fully secured the pensions of all 36,000 members.

One of our smallest deals was the £6.6 million buy-in with the Primula Limited Pension Scheme, and we completed 19 transactions with schemes with liabilities under £100 million, demonstrating our commitment to providing solutions for all parts of the PRT market.

For the second year running, all of the transactions we completed were for either full scheme buy-ins or buyouts.

One of the key themes in the pension risk transfer market has been an increased focus by trustees on the level of customer service provided to policyholders following a buyout.

For example, one reason for our success in the Rolls-Royce transaction was that the Trustee wanted to partner with an insurance company with the same commitment to very high levels of customer care and support as they have.

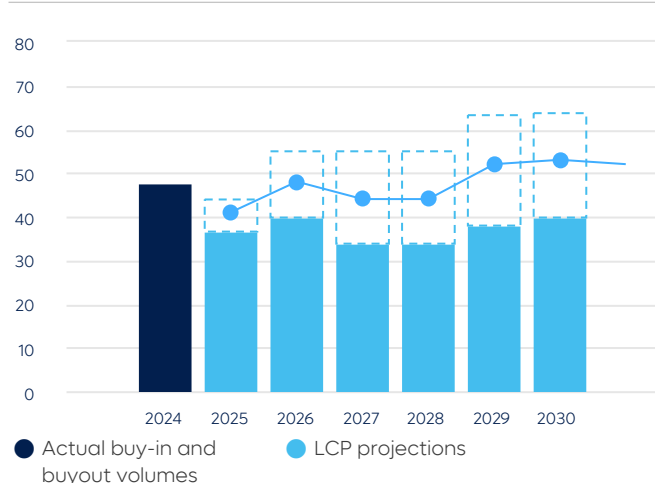
We were delighted to have been able to successfully demonstrate this was the case.

In particular, PIC is recognised by the Institute of Customer Service ("ICS") as one of the highest-performing customer service providers in the UK. This includes the ICS's ServiceMark with Distinction, held since 2017, as well as our ISO accreditation and BSI Kitemark for inclusive services for customers with vulnerable characteristics.



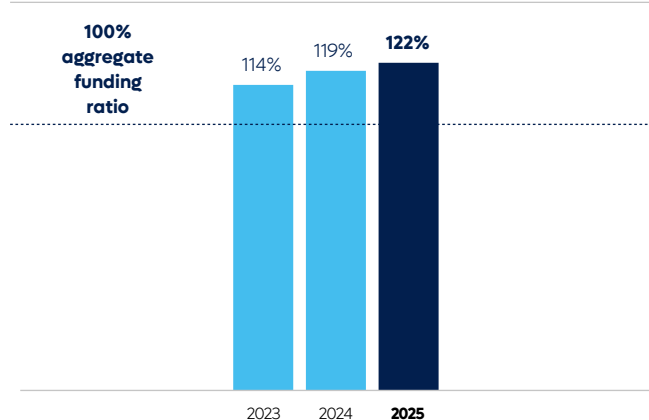
The demand for buyouts and buy-ins from schemes of all sizes continues to be strong.

Projected buy-in and buyout volumes (£bn)



Source: LCP analysis as at 30 September 2025.

DB funding levels continue to improve
Aggregate funding ratio %



Source: XPS Pensions Group. XPS DB:UK Tracker (xpsgroup.com).

Origination, reinsurance and transitions (continued)

Longevity reinsurance

One of the risks that we seek to manage is longevity risk, or the risk that our policyholders live longer than we project. Managing this risk is key to our ability to provide the pension payments that our policyholders rely on over the long term. We manage this by reinsuring our longevity exposure with a panel of 14 highly rated global reinsurance counterparties. These firms want to underwrite longevity risk because it helps them to hedge their mortality risk exposures – that is the risk of their life insurance policyholders passing away sooner than expected.

During the year we reinsured £7.8 billion of our longevity risk and have now reinsured 89% of our longevity risk in aggregate.

Full market solutions

PIC is one of the few pension risk transfer providers that operates across all deal sizes.

The £4.3 billion Rolls-Royce deal is our 17th transaction with pension schemes with liabilities in excess of £1 billion, which also includes our £6.2 billion deal completed with RSA in 2023, and the £4.1 billion of liabilities insured in total with BAT. During the year, administration for all 50,000 members of the RSA and BAT pension schemes transferred to PIC.

We also continue to be highly active at the smaller end of the market. Our small schemes approach continued to be in demand with 24 transactions during the year.

This included the £6.6 million buy-in for the Primula Limited Pension Scheme, the £37.5 million buy-in with the Dr Martens Airwair Group Pension Plan, the £155 million buy-in with the Trustee of Vistry's Final Salary Pension Schemes and the £230 million buy-in with Peel Ports Final Salary Pension Scheme.

Our small schemes solution provides trustees with a mechanism to monitor pricing, alongside standard processes and contracts, so providing a straightforward, efficient way of securing members' benefits.

Transactions such as these further demonstrate that the demand for buyouts and buy-ins from schemes of all sizes continues to be strong, and we are pleased to help members of smaller schemes access the long-term security the PRT market offers.

PRT market outlook

We have seen strong continued demand and competition in the PRT market during 2025 as trustees take advantage of favourable funding positions. This led to total PRT market transactions of around £40 billion during the year.

Looking ahead, we expect the market to easily exceed this number in 2026, with a few multi-billion transactions expected later in the year. So we expect a PRT market total of up to £50 billion in 2026, with expectations of £400-£600 billion of transactions over the next decade.

This means we, as an industry, would invest up to £200 billion in UK housing and infrastructure, creating significant social value. This is a clear benefit of buyout to the country – we have the capability, capacity, and expertise to continue to invest at scale in the real economy.

I look forward to continuing to innovate in 2026 and provide the solutions that meet trustee needs as they seek to secure their members' benefits for the long term.

Mitul Magudia
Chief Origination Officer

PRT market trends

Assets held within UK DB pension schemes

£1.1trn

91%

of DB pension schemes are closed

c.£790bn

of gilts and fixed income assets within pension schemes

55%

of DB pension schemes targeting buyout

Sources:
PPF 7800 Index - 31 December 2025
PPF Purple Book 2025
'Pensions endgame: A new buyout reality for trustees' report

 For more information, see our Investments section on pages 38-45

Origination, reinsurance and transitions (continued)

Transition and client management

What do we do?

PIC's transition and client management team are responsible for managing all relationships with trustees following a buyout (until the scheme is wound up), or for the long term following a buy-in.

There are several workstreams which follow on from a buyout transaction. Once the contract is signed the assets are transferred to PIC as soon as possible (see the buy-in and buyout process on page 15), and we then assume responsibility for paying the trustees their members' pensions during a transition phase. This phase involves a detailed review of the data underlying the deal in order that the scheme can be wound up and the members issued with individual annuity policies.

This can be a complex and lengthy process depending on the size of the scheme, the range of member benefits that exist, and the quality of the data that the scheme has. Buy-in transactions differ from buyouts in that the scheme continues to run, managing the remaining assets within the scheme and the administration operation.

In both circumstances, PIC's transition and client management are the first point of contact for the trustees and their advisers. This can be a relatively short relationship over weeks or months, or last many years, following a buy-in.

PIC takes a partnership approach to working with trustees in all circumstances and we invest considerable time and effort to ensure a personalised, accurate, and reliable service. Our track record and our reputation for excellence with our trustee clients has been painstakingly built over the last 20 years. It is a key factor for the high number of repeat transactions PIC has completed.

Excelling at customer service

Transferring a pension fund requires reconciling and verifying a large volume of data, relating to every scheme member and any beneficiaries. Close collaboration and a strong working relationship with the trustees and their administration partners is therefore critical to a successful outcome, along with strong project management and teamwork skills.

The process has to take place without any interruption to the individual pension payments that scheme members rely on.

Adapting to our clients' needs

Due to the bespoke nature of each transaction in which specific scheme circumstances have to be accounted for, including benefit structures and mandates, each transition follows an individualised plan that sets out the required governance and progress checkpoints.

PIC prides itself on providing a dedicated, personalised service with a long-term view to ensure best-in-class client outcomes. Our 86 repeat buy-ins, covering £20 billion of liabilities and the pensions for 115,000 people, demonstrate that we deliver on our commitments in a timely and accurate manner. We approach each transaction with the intention of listening and responding to the needs of our clients and maintain a flexible approach. The quality of our transition processes and the trustee and member experience during this crucial phase is a key focus for PIC and its management team.

Case study: Client Engagement Forum

For delivering on customer promises.

In May, we hosted our second Client Engagement Forum, this time designed to support our long-term buy-in clients in understanding how to prepare for a future buyout, when they decide the time is right for them.

The event, delivered by PIC's Transitions team and guest speakers, included insightful panel discussions, presentations and a Q&A session to guide the attendees through the journey from buy-in to buyout.

Drawing on industry expertise and case studies from some of PIC's largest and most complex transactions, the forum aims to help clients understand what to expect as they progress towards an eventual buyout.

A core part of PIC's purpose is ensuring that once Trustees decide buyout is their target and members transition to policyholders, they receive excellent customer service throughout. To reflect this, a dedicated session explored the customer journey and what it means for scheme members when they transition.

Our customer-facing team showcased how we deliver high-quality service to our policyholders, highlighting our commitment to customer experience, technology innovations and future developments.

We received excellent feedback from attendees, with more than 90% rating the events nine or above when asked both how useful it was in improving their understanding of the buy-in to buyout process and how likely they are to recommend the Client Engagement Forum to future trustee groups.



Origination, reinsurance and transitions (continued)

Case study: Baker Hughes

For positive member outcomes.

In June, we concluded simultaneous buy-ins with three schemes sponsored by Baker Hughes. The buy-ins cover liabilities of £900 million and secured the pensions of over 3,000 pensioners and dependents, and nearly 4,000 deferred members, ensuring positive member outcomes.

When Baker Hughes decided to transfer their pension, they weighed up a range of considerations.

PIC's selection as the preferred provider was driven by our proven track record in delivering seamless transitions to buyout and our longstanding reputation for best-in-class customer service.

Given the complexity of the transaction from a structuring perspective, we adopted a flexible and pragmatic approach to ensure the Trustee's objectives were fully met. Following the completion of these buy-ins, we are looking forward to developing our future relationship with our new policyholders.



Achieving this transaction in expedited timescales is a great result for members and is testament to the highly collaborative approach between PIC and all the parties involved.

Sally Minchella

Director at Law Debenture and Chair of the Baker Hughes (UK) Pension Plan



Case study: FSCS Pension Scheme

For tailored PRT solutions.

In February, we concluded a £25 million full buy in of the FSCS Pension Scheme, showcasing our expertise at providing tailored pension risk transfer solutions for all types of schemes.

The transaction secures the benefits of all 154 members, comprising 37 pensioners and 117 deferred members.

Following an improvement in funding and asset derisking, the Scheme completed a preparation period, concluding with the ability to transact without additional contributions required from the employer.



We are pleased to have secured this deal with PIC and are grateful for their engagement in the process, along with the support of the employer and the advisers involved.

Giles Payne

Chair of the Trustees, Capital Cranfield

Investments

Investing for our future.



Rob Groves
Chief Investment Officer

PIC's purpose of paying the pensions of our current and future policyholders means that our investment strategy is clear: we invest to secure the long-term cash flows we need, prioritising resilience and certainty, and minimising risk. One outcome of our investment strategy is the creation of significant social value.

At year end, our portfolio stood at £54.8 billion of assets (FY2024: £50.9 billion), invested in high-quality investment grade fixed income assets including government debt, corporate securities and private investments. Our insurance liabilities stood at £50.6 billion at year end (FY2024: £44.3 billion).

In general, market conditions were supportive for risk assets, with asset valuations starting and finishing the year at high levels. Gilt yields were volatile as a result of both domestic and global considerations, continuing the trend we have seen since 2022. At the same time, credit spreads were at the tightest we have seen for more than 20 years – in the run up to the Global Financial Crisis – because of a voracious search for yield. We think this has had the impact of loosening underwriting standards and risk tolerances and we support the regulatory focus on the credit markets.

Private markets

There has been increased coverage of investment in private markets in the media, reflecting greater interest in the sector as more assets are allocated outside of traditional listed markets.

Private markets encompass a broad array of asset types from private equity to private credit and then within "private credit" there is a spectrum of assets from higher-risk elements of the high yield market to investment grade senior debt secured on underlying assets.

PIC has been an investor in investment grade private credit for a number of years as it is a good match for our long-dated liabilities providing secure, attractive cash flows in sectors like infrastructure, urban regeneration and education. Furthermore, we believe that the regulator has a good handle on the issues within the private credit sector and is also supportive of our sector's investment in infrastructure and real assets.

Life Insurance Stress Tests

The Life Insurance Stress Tests (see page 43), carried out by the PRA during the year, demonstrated the resilience of our balance sheet and the sector in general, as well as the effectiveness of our low-risk investment strategy, in a scenario calibrated to be worse than the worst point of the Global Financial Crisis 2007–2008.



Our portfolio is well- positioned and resilient against long-term market volatility.

Key stats

Financial investments

£54.8bn

2024: £50.9bn

Privately sourced debt investments in 2025

£2.0bn

2024: £2.0bn

Total UK direct investments¹

£15.0bn

2024: £13.8bn

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

Investments (continued)

Financial investments by asset class (31 December 2025)



	2025	2024
Debt securities – Gilts and Governments Bonds	44.1%	39.0%
Debt securities – Corporate	24.7%	30.2%
Debt securities – Private investments	19.5%	18.4%
Equity release mortgages	1.9%	2.0%
Mortgage backed and other asset backed securities	0.5%	0.5%
Participation in investment schemes	5.4%	6.0%
Participation in liquidity funds	3.9%	3.9%

Our portfolio

Our £54.8 billion portfolio is managed in a way that allows us to match our very long-term pension liabilities, which stretch out decades into the future, with secure, low-risk, cash flows.

We therefore need to consider and manage risks across multiple economic cycles. This factors in cyclical events such as market downturns, recessions, periods of high inflation, deflation and changing geopolitical landscapes.

Fundamentally, the assets we invest in have to be resilient enough to weather these types of storms. The past few years, where we have had a series of financial, economic, and social crises, in which the portfolio continued to perform strongly, gives us confidence in our low-risk strategy, without inviting complacency.

2025 was a difficult year for low-risk investors like PIC looking to invest new money from bulk annuity deals in credit markets. As noted above, credit spreads remained historically tight and gilt yields have been at relatively high levels, meaning that it is expensive for long-term borrowers like housing associations. The exception to this was the period following President Trump's "Liberation Day" announcement on tariffs, which led to significant market volatility and therefore better investment opportunities.

That period aside, the overall effect of the general market conditions was for low-risk investors to cycle out of corporate debt and into gilts. This helps optimise our portfolio by removing credit assets where risks aren't fully priced in and provides higher risk-adjusted returns.

Our asset classes

At year end, 92% of the portfolio, including gilts and corporate debt, was rated investment grade (FY2024: 92%). No single counterparty, other than government bond exposures, represented more than 0.8% of the portfolio at year end (FY2024: 0.9%). Corporate and government bonds represent 68.8% of our portfolio (FY2024: 69.2%) and almost all of our private investments have been consistently rated investment grade.

We continue to have modest exposure to cyclical industries, such as retail and entertainment, at 4% of the portfolio. Where we do own more cyclical assets they are typically shorter dated, for example, with the automotive industry.

We have no direct commercial real estate loans and limited exposure to commercial property more generally, representing less than 2% of the portfolio. The average rating of the portfolio is A+ and we saw no payment defaults in the portfolio and limited downgrades during the period.

Sustainable assets

At year end, we had £13.5 billion (FY2024: £12.7 billion) invested in sustainable assets. These are assets that we define as having a positive impact on stakeholders and include investments in social housing.

Summary

In summary, our portfolio is well-positioned and resilient against long-term market volatility, ensuring PIC will continue to fulfil our purpose, providing financial security for our policyholders now and into the future.

Investments (continued)

Private credit

PIC has been a consistent investor in investment grade, privately sourced debt – known more widely as private credit – over the past 15 years. Working with borrowers on a bilateral, private basis allows us to offer them facilities like deferred drawdown which saves them interest, and allows us to match maturities to specific years when those in the public markets can be hard to source. PIC has very long-term liabilities, which stretch out decades into the future and which have exposure to UK inflation. Crucially, our liabilities are non-callable, unlike banks or other financial institutions. Pensions payable to our policyholders are long-term commitments, which allows us to harvest the illiquidity premium in infrastructure and housing investments.

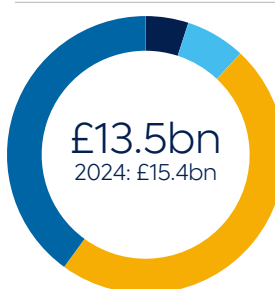
PIC's private investments by rating



	2025	2024
● AAA	1%	1%
● AA	31%	30%
● A	35%	36%
● BBB	32%	31%
● BB or below	1%	2%
● Unrated	—%	—%

These factors makes us the natural investors in UK housing and infrastructure.

PIC's Corporate securities by rating



	2025	2024
● AAA	8%	5%
● AA	15%	7%
● A	35%	48%
● BBB	42%	40%
● BB or below	—%	—%
● Unrated	—%	—%

Given that we are buy and hold investors, it is critical that we maintain pricing and credit discipline, uphold high underwriting standards and ensure there is robust governance and oversight.

Corporate securities and private investments split by industry sector

2025	Corporate market value £m	%	Private market value £m	%	Total market value £m	%
Utilities	4,627	34.2%	696	6.5%	5,323	21.9%
Financials	1,997	14.8%	1,282	12.0%	3,279	13.5%
Housing associations	1,091	8.1%	1,660	15.5%	2,751	11.4%
Infrastructure	1,140	8.4%	1,159	10.8%	2,299	9.5%
Education	369	2.7%	1,295	12.1%	1,664	6.9%
Consumer, non-cyclical	1,537	11.4%	86	0.8%	1,623	6.7%
Telecoms, media and technology	1,431	10.6%	67	0.6%	1,498	6.2%
Sovereigns, sub-sovereigns and municipals	18	0.1%	1,458	13.8%	1,476	6.1%
Renewable energy	17	0.1%	993	9.3%	1,010	4.2%
Consumer, cyclical	544	4.0%	462	4.3%	1,006	4.2%
Structured finance	96	0.7%	779	7.3%	875	3.6%
Real Estate	268	2.0%	311	2.9%	579	2.4%
Not for profits	146	1.1%	387	3.6%	533	2.2%
Commodities	246	1.8%	52	0.5%	298	1.2%
Total	13,527	100.0%	10,687	100.0%	24,214	100.0%
2024	Corporate market value £m	%	Private market value £m	%	Total market value £m	%
Utilities	4,863	31.5%	710	7.6%	5,573	22.3%
Financials	2,768	18.0%	1,435	15.3%	4,203	17.0%
Housing associations	967	6.3%	1,602	17.0%	2,569	10.4%
Infrastructure	1,069	7.0%	976	10.4%	2,045	8.3%
Education	298	1.9%	1,275	13.6%	1,573	6.4%
Consumer, non-cyclical	1,614	10.5%	72	0.8%	1,686	6.8%
Telecoms, media and technology	1,500	9.8%	—	—%	1,500	6.1%
Sovereigns, sub-sovereigns and municipals	107	0.7%	1,025	10.9%	1,132	4.6%
Renewable energy	29	0.2%	1,011	10.8%	1,040	4.2%
Consumer, cyclical	864	5.6%	433	4.6%	1,297	5.2%
Structured finance	116	0.8%	206	2.2%	322	1.3%
Real Estate	518	3.4%	251	2.7%	769	3.1%
Not for profits	125	0.8%	386	4.1%	511	2.1%
Commodities	543	3.5%	—	—%	543	2.2%
Total	15,381	100.0%	9,382	100.0%	24,763	100.0%

Investments (continued)

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

2025	Corporate market value £m	%	Private market value £m	%	Total market value £m	%
UK	5,438	40.2%	6,476	60.6%	11,914	49.2%
US	4,350	32.2%	1,236	11.6%	5,586	23.1%
Europe	2,417	17.8%	2,938	27.5%	5,355	22.1%
RoW	1,322	9.8%	37	0.3%	1,359	5.6%
Total	13,527	100.0%	10,687	100.0%	24,214	100.0%
2024	Corporate market value £m	%	Private market value £m	%	Total market value £m	%
UK	5,911	38.4%	6,328	67.4%	12,239	49.4%
US	5,024	32.7%	873	9.3%	5,897	23.8%
Europe	2,910	18.9%	2,144	22.9%	5,054	20.4%
RoW	1,536	10.0%	37	0.4%	1,573	6.4%
Total	15,381	100.0%	9,382	100.0%	24,763	100.0%

Corporate Securities and private investments split by currency

2025	Corporate market value £m	%	Private market value £m	%	Total market value £m	%
GBP	7,665	56.7%	7,173	67.1%	14,838	61.3%
USD	4,383	32.4%	1,939	18.2%	6,322	26.1%
EUR	1,479	10.9%	1,533	14.3%	3,012	12.4%
CHF	—	—%	42	0.4%	42	0.2%
Total	13,527	100.0%	10,687	100.0%	24,214	100.0%
2024	Corporate market value £m	%	Private market value £m	%	Total market value £m	%
GBP	8,409	54.7%	6,788	72.3%	15,197	61.3%
USD	5,749	37.4%	1,350	14.4%	7,099	28.7%
EUR	1,223	7.9%	1,199	12.8%	2,422	9.8%
CHF	—	—%	45	0.5%	45	0.2%
Total	15,381	100.0%	9,382	100.0%	24,763	100.0%

Investments (continued)

Breakdown of private investments by sector in 2025



	2025
Financials ¹	44%
Infrastructure	21%
Transport	11%
Sovereigns, Sub-Sovereigns and Municipals	8%
Commercial Property	4%
Utilities	3%
Telecoms, Media and Technology	3%
Social Housing	2%
Consumer, Cyclical and Industrial	2%
Other	1%
Public Finance	1%
Total invested	£2.0bn

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

Private investment activity

At 31 December 2025, PIC had £10.7 billion invested in total in privately-sourced debt, creating significant social value. This includes sectors such as urban regeneration, affordable and social housing, renewable energy, and the UK's education sector. Working with partners such as local government, utilities, and infrastructure developers we are funding the housing and infrastructure the country needs.

As a result, our investments create jobs and provide opportunities for skills development, helping to create intergenerational equity.

High interest rates continued to suppress the supply of long-term infrastructure projects during 2025. At the same time very tight credit spreads meant that our demand for private credit assets was lower than in previous years. Within that context, we invested £2.0 billion during the year in high-quality, private assets. This included investments such as our £300 million funding of the Haweswater Aqueduct Resilience Programme, securing water supply for 2.5 million people in the Northwest of England. Overall, from our total £54.8 billion portfolio, £31.2 billion is invested in the UK.

Built environment

To date, we have invested more than £5.9 billion in built environment projects including social and affordable housing, Build-to-Rent ("BTR") developments and senior living. Projects such as these are important contributors to the regeneration of our cities and provide local employment opportunities.

So far, PIC funded projects have led to 9.3 million on-site hours, with 650 people working on our construction sites in 2025. About 60% of these jobs were undertaken by local labour.

Four of our BTR developments, New Vic in Manchester, Arbour in Milton Keynes, One Eastside in Birmingham and The Wiltern in West London are operational, with residents moving into The Wiltern and One Eastside for the first time. We are particularly pleased that our reputation for high-quality customer service continues within our BTR portfolio, with Arbour winning BTR development of the year at the 2025 Inside Housing awards, in recognition of its contribution to meeting local housing needs for key workers, innovative resident amenities, and sustainability rating. In addition, PIC was highly commended as the best BTR operator, best BTR community (Arbour) and won the award for the best BTR interior design (New Vic) at the Love to Rent awards.

Launched at the end of 2024, Habiko is our joint venture affordable housing partnership between Muse, Homes England and PIC. In October, it announced its first two development sites for 590 homes in Chester and Warrington. Together, the opportunities aim to deliver new affordable homes for rent, as Habiko moves forward with plans to develop its target of 3,000 low-carbon, low-energy affordable homes across England.

Summary

Overall I am pleased with the performance of the portfolio and our assets during 2025 in meeting our purpose and strategic objectives and look forward to the next year.

Rob Groves

Chief Investment Officer



For more information see the Sustainable assets section on **page 67**

Investments (continued)

The PRA's Life Insurance Stress Test

LIST stands for Life Insurance Stress Test. It is a key part of the Solvency UK regulatory framework within which insurance companies operate. The recent reforms to Solvency UK included new safeguards to maintain safety and soundness and policyholder protection, and part of this was the inclusion of increased transparency, in the form of stress testing with individual firm publication.

The LIST exercise is the PRA doing its job as a prudential regulator, preparing for worst-case scenarios and ensuring companies are properly prepared. It's business-as-usual for the PRA, and part of the reason why policyholders with UK insurers can have great confidence in the sector, especially when compared to pension superfunds and defined benefit pension schemes.

The exercise simulates very severe stresses in financial markets, modelling what would happen to insurer balance sheets if there were sudden large movements in the prices of shares, bonds and property, and changes in interest rates. Most of the market changes in the LIST scenarios are more severe than the worst points of the Global Financial Crisis 2007-2008.

PIC's LIST results at each stage of the scenario testing¹

Stage 1

PIC's solvency ratio fell by 9 percentage points. The main driver of the fall was the increase in Solvency Capital Requirement ("SCR") due to the increase in asset values observed when interest rates decrease. The Matching Adjustment ("MA") fund performed as expected with asset and liability changes moving together.

Stage 2

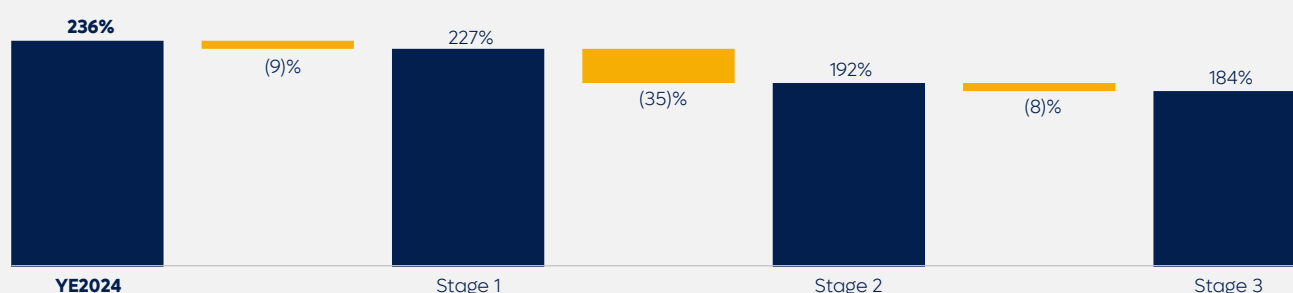
PIC's solvency ratio fell by 35 percentage points. The downgrades/defaults and adverse property stress reduced Own Funds because of the increased risk adjustments to asset cash flows, and the SCR increased to reflect the increased riskiness of the assets. For contingency in these types of scenarios, PIC holds a large amount of government assets which can be used to restore the cash flow matching without requiring access to external markets.

Stage 3

PIC's solvency ratio fell by 8 percentage points. This was mainly because of how the increase in asset values affected the MA calculation, which increased the value of the liabilities by slightly more than the value of the assets. PIC only deployed limited management actions, reflecting the very strong solvency position and resilient asset portfolio post-stress.

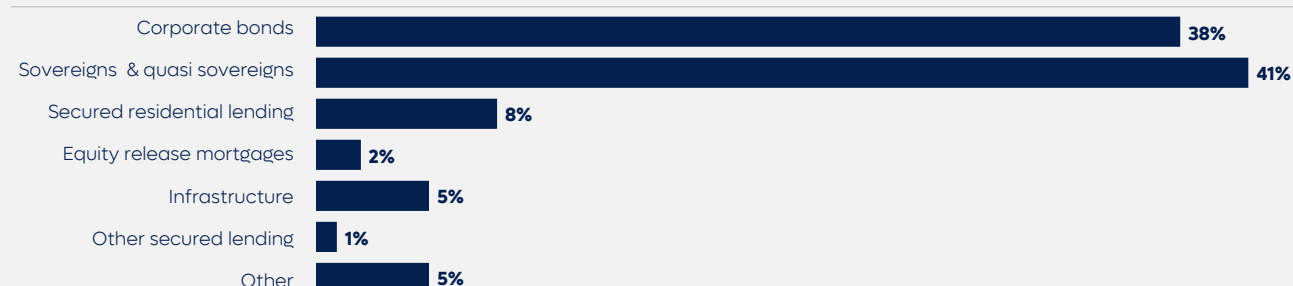
Pension Insurance Corporation plc projected SCR coverage²

Movement in SCR coverage ratio (%) through core scenario post TMTP³ recalculations



A summary of the asset composition of PIC's MA portfolio is shown in the chart below:

Summary composition of PIC's MA portfolio²



1. For more information on the LIST scenario specifications visit Life Insurance Stress Test (LIST) 2025 | Bank of England
2. Sources: Participating insurer's LIST 2025 submissions and PRA calculations.
3. TMTP - transitional measure on technical provisions.

Investments (continued)

Case study: **One Eastside**

For social value creation.

In July, we were pleased to celebrate the topping out of our One Eastside Build-to-Rent development, which at 51 storeys is the tallest building in Birmingham. The location for One Eastside was a central brownfield site in a city with a regeneration agenda.

Birmingham is aiming to create jobs, boost the local housing supply, and provide high-quality amenities for residents, thus contributing to a more inclusive, dynamic, and economically resilient city. This development is a great example of social value creation.

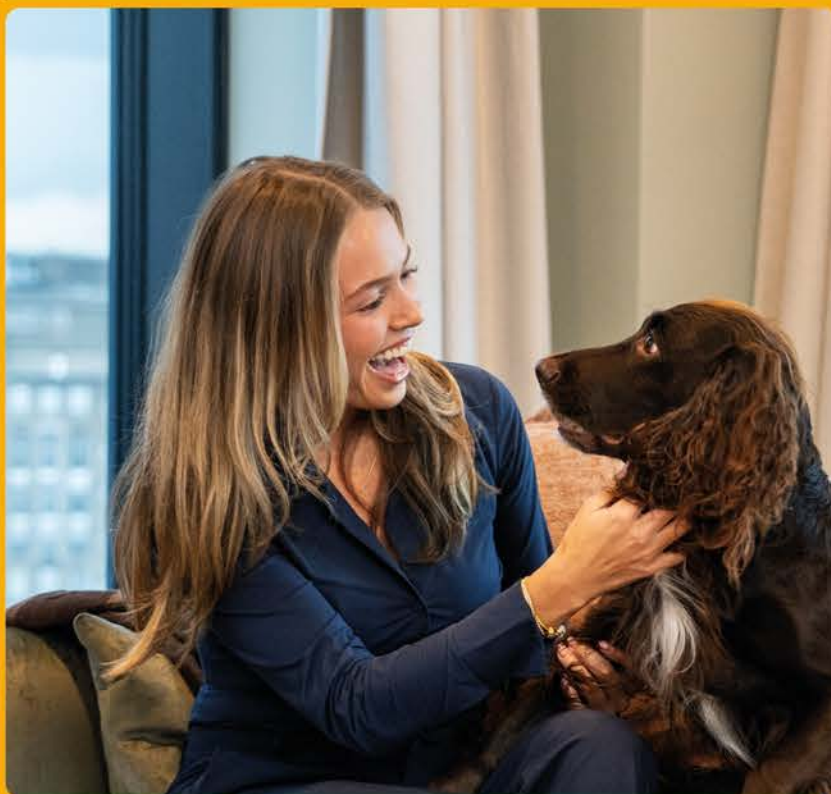
One Eastside features 667 high-quality homes for rent, with state-of-the-art co-working spaces and a range of amenities for residents, including a cinema room, sky lounge, and gym.

A topping out ceremony is a celebratory milestone that occurs when the building has reached its highest point. Alongside core members of the project team, PIC policyholders were invited to attend the celebration, which is unique to the industry. Guests were given a tour of the show apartments before heading up to the 150m-high sky terrace to take in the new views of the city and the quality of the amenities soon to be on offer.

One Eastside's Tower B was completed in August 2025 and has welcomed its first residents. PIC will use the rental income generated from the development to help pay the pensions of its policyholders.



Investments (continued)



Living at One Eastside

"Finding a modern apartment in the city that offers extensive amenities and allows pets is rare. One Eastside stood out for its exceptional standard of living, compared to other rental options in Birmingham. The combination of convenience, quality, and pet-friendly policies made it an easy choice. Its sleek interiors and well-maintained spaces create a premium environment.

The standout feature of One Eastside is undoubtedly its staff. Since moving here in August 2025, I've felt welcomed and supported. Living in the city centre can feel daunting, but the sense of safety here is reassuring. The atmosphere is friendly, and help is always available, creating a strong sense of community.



**If I had to describe
One Eastside
in three words:
premium, secure
and welcoming.**

Theodora Peacock

Resident at One Eastside
Build-to-Rent development,
Birmingham

Stakeholder engagement

Balancing the needs of our stakeholders.

PIC is careful to balance the needs and requirements of our stakeholders as we seek to fulfil our purpose. Our long-term success and the ultimate sustainability of the business depend on us reviewing and balancing stakeholder outcomes appropriately. Our key stakeholder relationships are overseen by the Board, which maintains close oversight and takes an active role in engaging with them.

Our strategic objectives



To continue building a secure and sustainable business



To carry on leading as a responsible corporate citizen



To keep on driving long-term value growth



For more information on our strategic objectives see **pages 16-17**

Policyholders

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

Link to KPIs

- Solvency ratio
- Fitch rating
- Policyholder satisfaction



For more information on our KPIs see **pages 18-19**

Link to strategic objectives



See more about the journey from scheme members to PIC policyholder on **page 32**

Why we engage

- Our policyholders are central to our business, but they did not buy their annuity from us – the trustees of their defined benefit pension scheme entered into the transaction
- Given the demographic of our policyholders there is an increased likelihood of them having vulnerable circumstances
- The foundation of our relationship with our policyholders is built on exceptional customer service and delivering 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
- Accessible customer service focused on achieving the right outcomes
- Proactive management of policyholders with vulnerable circumstances
- PIC's reputation as a company that creates significant social value

How we engage at Board level

- The Chair of the Board Customer Committee provides an update on the Committee's activities and key discussions and decisions to each Board meeting
- The Chair of the Board Customer Committee also acts as the Consumer Duty Board Champion, overseeing policyholder outcomes
- Board members attended several policyholder events in 2025, meeting and engaging with policyholders

How we engage across the Company

- PIC's purpose, culture, and values ensure employees understand the importance of our policyholders to the business
- More than 280 PIC employees attended a policyholder event in 2025
- PIC employees are interviewed on our customer focus as part of the ICS accreditation process for ServiceMark with Distinction

Outcomes from our engagement

- PIC is one of the most highly rated companies in the country for quality of customer service (Institute of Customer Service ("ICS") Survey)
- PIC won the Institute of Customer Service's Best Customer Service Partnership award in 2025
- Board members who have attended policyholder events have shared their feedback with the wider Board, including that they are a helpful method for the Board to engage with our policyholders and understand their needs



I've been able to understand the complicated world of pensions.

PIC policyholder

Stakeholder engagement (continued)

Defined benefit pension scheme trustees, their corporate sponsors, and their advisers

Our business growth depends on transacting buyouts and buy-ins with DB pension scheme trustees and their corporate sponsors.



Link to KPIs

- Solvency ratio
- Fitch rating
- Policyholder satisfaction

Link to strategic objectives



Why we engage

- These stakeholder groups are responsible for the derisking flight paths of their schemes, and ultimately as to whether to seek a buyout or buy-in within the pension risk transfer ("PRT") market
- Trustees are ultimately responsible for concluding 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
- A partnership approach, especially where there is an existing relationship
- Flexibility and innovative thinking during the transaction
- The creation of social value by PIC as we reinvest the assets we take on
- A smooth, well-managed transition process

How we engage at Board level

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

How we engage across the Company

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

Outcomes from our engagement

- PIC has insured the benefits of 438,000 pension scheme members to date
- PIC has paid £19.3 billion in pensions to date, with a 99.0% customer satisfaction rating
- Total liabilities covered by repeat transactions to date are £20 billion, covering the benefits of 115,000 scheme members

Regulators and policymakers

Our business and the wider market operate under the close regulatory scrutiny of the Prudential Regulation Authority and the Financial Conduct Authority. Pensions and housing/infrastructure investment are both high on the political agenda.

Link to KPIs

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

Link to strategic objectives



Why we engage

- In order to fulfil PIC's purpose we engage closely with our regulators
- Engagement with Government departments, Ministers, and MPs is important as we manage political risk and seek to help create conditions which allow more investment in UK housing and infrastructure

What matters to them

- The Prudential Regulation Authority ("PRA") is PIC's primary regulator. It has two main objectives: to promote the safety and soundness of the firms it regulates, and protection for insurance policyholders
- The Financial Conduct Authority ("FCA") is focused on policyholder outcomes and customer service
- Policymakers want to see continued investment in UK housing and infrastructure and the creation of long-term social value

How we engage at Board level

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

How we engage across the Company

- We proactively manage our relationships with our regulators and seek to maintain an open, constructive dialogue
- PIC is a member of the Chancellor's British Infrastructure Taskforce and the Sterling 20. We maintain an active dialogue across Whitehall on pension policy, as well as on infrastructure and housing investment
- PIC chairs the Purposeful Finance Commission ("PFC") and the Social Value Commission

Outcomes from our engagement

- PIC is working closely with the members of the British Infrastructure Taskforce and HMT on regulatory reform, and addressing the "viability gap" in housing and infrastructure
- The PFC published a well-received report on how to speed up delivery of reservoirs, which is being actively considered by the Government
- PIC published a ground-breaking report on the creation of social value within infrastructure and housing development



Stakeholder engagement (continued)

Employees

Our employees are crucial for the overall success of the business and PIC's purpose and culture provide the framework within which our high-performing teams operate.

Link to KPIs

- Solvency ratio
- Fitch rating
- Policyholder satisfaction

Link to strategic objectives



Why we engage

- PIC's success hinges on having an open, engaging culture as we seek to fulfil our purpose
- We encourage cross-company collaboration and respectful challenge

What matters to them

- A simple corporate purpose and working for a company that creates social value
- A culture focused on excellence of outcome and a growth mindset
- An open environment which values respectful challenge irrespective of background
- A competitive rewards and benefits package

How we engage at Board level

- The senior leadership team hold regular internal events to facilitate an ongoing dialogue with employees, from which feedback is communicated to the Board
- The Board receives regular updates from management. The views and feedback from the annual employee survey are considered by the Board as part of its deliberations on culture and employee welfare

How we engage across the Company

- Strong leadership from our Executive Committee ("ExCo") as we seek to fulfil PIC's purpose
- High levels of ExCo engagement with employees, including Town Halls and more informal employee lunches
- Feedback from our employees is important, and this is captured throughout the year, including by Investors in People, the Institute of Customer Service, and our own employee survey

Outcomes from our engagement

- In 2025, PIC was awarded 'Investors in People - Gold' an improvement on our previous silver level status. We also received the 'Investors in People - Wellbeing' accreditation
- 72% 2025 employee survey completion rate, with 93% saying they are proud to work for PIC



Key suppliers

It is vital that we build and maintain strong working relationships with our suppliers as we seek to fulfil our purpose.



Link to KPIs

- Solvency ratio
- Adjusted operating profit before tax

Link to strategic objectives



Why we engage

- We favour partners who share our focus on great customer service
- Having strong working relationships helps us to manage our key business risks

What matters to them

- Long-term partnership approach
- Proactive management of risks
- Timely settlement of invoices

How we engage at Board level

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

How we engage across the Company

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

Outcomes from our engagement

- 87% of invoices received during the year from suppliers were paid within 30 business days (FY2024: 93%)
- The Third Party & Outsourcing ("TP&O") team reviews and enhances the third-party control framework to ensure alignment with internal policies, industry good practice and regulatory requirements are adhered to by working closely with PIC assurance functions
- TP&O supports the business with the delivery of their objectives by fostering a partnership model for the selection and ongoing management of suppliers that meet PIC's expectations and standards

Stakeholder engagement (continued)

Shareholders and debt holders

The majority of shares in PICG are held by a small group of institutional shareholders. In July 2025, our shareholders accepted an offer from Athora Holding Ltd ("Athora") to acquire the total outstanding shares in PICG. Following completion, expected on or around 27 March 2026, Athora will become the sole shareholder of PIC. The Company has £2,508 million of Tier 2 and Tier 1 debt currently outstanding, respectively listed on the London Stock Exchange and Euronext Dublin.

Link to KPIs

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

Link to strategic objectives



Why we engage

- Our shareholders and debt holders provide the capital that allows us to complete new pension risk transfer transactions

What matters to them

- A market-leading, purposeful business, demonstrating sustainable growth and strong risk management, leading to long-term value creation
- A robust balance sheet
- A clear risk management framework
- Transparent communication and management accountability
- Engagement on key business issues

How we engage at Board level

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

How we engage across the Company

- We are responsive to requests from our debt holders, and have regular meetings with them
- We communicate clearly and comprehensively through our annual and half year reports and accompanying documents, including our sustainability report. These detail how we achieve our strategic objectives
- Regular business updates include market announcements via the Regulatory News Service ("RNS"), in-person events and meetings and updates with PIC's Chief Executive Officer, Chief Financial Officer and Chief Strategy Officer
- Our major shareholders (see page 133 for details) all have Board representation

Outcomes from our engagement

- At year end 2025, PIC's solvency ratio stood at 257%, with customer satisfaction of 99.0% on £2.5 billion of pensions paid in the year
- PICG had an Adjusted operating profit before tax of £880 million
- In 2025, the Board paid dividends totalling £520 million to the Group's shareholders
- On 3 July 2025, the shareholders of PICG and Athora reached an agreement pursuant to which Athora agreed to purchase the entire share capital of the Group, subject to regulatory approval, which has now been received

Privately sourced debt counterparties and investment partners

We have invested £15.0 billion in UK housing, infrastructure and other assets. This includes social and affordable housing, urban regeneration, and the UK's universities. We prefer to form long-term partnerships with our debt counterparties

Link to KPIs

- Solvency ratio
- Equity own funds

Link to strategic objectives



Why we engage

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

What matters to them

- Ability to tailor transactions that meet their funding needs, including deferred drawdown
- A long-term partnership approach
- A purposeful investment partner that seeks to create social value

How we engage at Board level

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

How we engage across the Company

- We work with counterparties to shape transactions that meet everyone's needs
- Ongoing engagement as part of a long-term partnership helps bring forward repeat investments

Outcomes from our engagement

- £2.0 billion of privately sourced debt investments, including in social housing, utilities, and infrastructure
- In 2025, 33% of our privately sourced debt investments were to our existing partners



Section 172 Statement

Promoting the long-term success of the Company.

The Board of Directors, individually and collectively, make the following statement in relation to the year ended 31 December 2025, in compliance with sections 172 ('s.172') and 414CZA of the Companies Act 2006.

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

- (a) the likely consequences of any decision in the long term;**
- (b) the interests of the Company's employees;**
- (c) the need to foster the Company's business relationships with suppliers, customers and others;**
- (d) the impact of the Company's operations on the community and the environment;**
- (e) maintaining a reputation for high standards of business conduct; and**
- (f) the need to act fairly between members of the Company.**

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

How the Board has fulfilled its s.172 duties

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

Board information

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

Board strategic discussion

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

Board decision making

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

Engagement by the Board with stakeholders

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

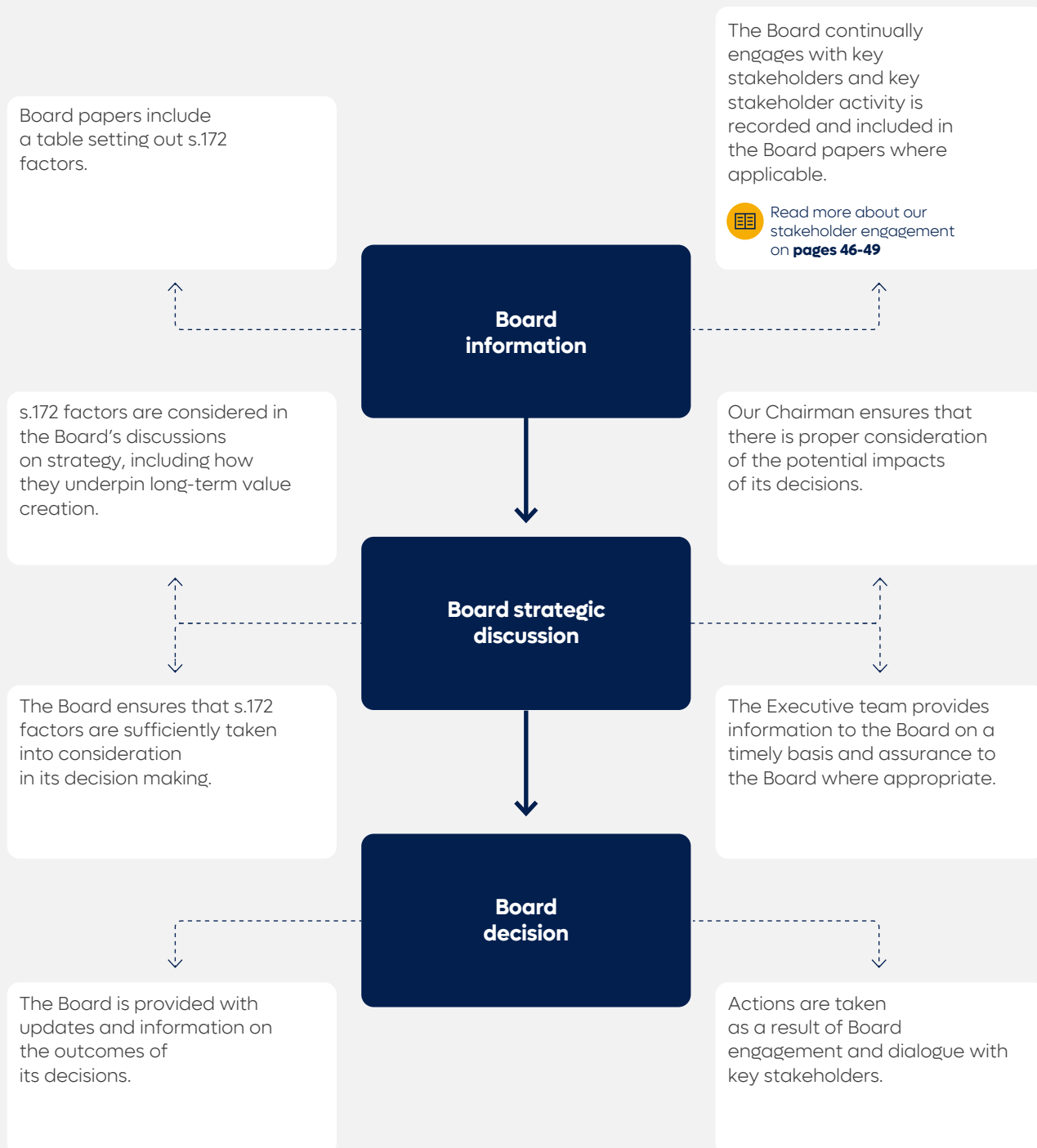
Understanding the needs of our different stakeholders enables the Board to take proper account of stakeholder impacts and interests in decision making. The Board recognises that considering the impact of decisions on each stakeholder group will help the Directors to deliver the Company's strategy in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

The Stakeholder engagement section on pages 46 to 49 sets out how the interests of each of these key stakeholders is embedded into the long-term strategy of the business.

Section 172 Statement (continued)

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

 For more information, see **pages 50-55**



Section 172 Statement (continued)

Our strategic objectives



To continue building a secure and sustainable business



To carry on leading as a responsible corporate citizen



To keep on driving long-term value growth

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

s.172 factor	Our engagement and consideration of stakeholders
(a) The likely consequences of any decisions in the long term Link to strategic objectives: 	The Board carefully considered and assessed the likely consequences of its decisions, and it challenged management, where necessary, to ensure that any decisions taken were likely to promote the long-term success of PIC. In particular, in relation to the acquisition of the Group by Athora, which is expected to close on or around 27 March 2026, the Board noted that shareholders holding c.96% of the issued share capital of the Company had agreed to sell their shares on the proposed terms, but also had regard to wider stakeholder interests, and prior to approving the sale, requested additional information from Athora to gain comfort that the sale was in the best interests of the business' stakeholders. The Board received updates from the Chief Strategy Officer throughout the year and it questioned and challenged progress of PIC's strategy and the strategic objectives. These updates covered a range of topics, including the PIC and PICG business plan, the final and interim dividend proposals and the PICG share valuation for awards under the Company's share schemes.  Further details on our strategy and how the Directors considered the likely consequence of any decision in the long term can be found on pages 54-55 and in the Stakeholder engagement section on pages 46-49
(b) The interests of the Company's employees Link to strategic objectives: 	The Board had oversight of the formulation and delivery of PIC's culture and values in line with the People Policy. The Chief Executive Officer has responsibility for overseeing the adoption of PIC's culture into its day-to-day activities. The Board and its Committees understand the strategic importance of PIC's employees and the Board had regard to the interests of employees when making decisions. The Board considered employee wellbeing and engagement, diversity and inclusion ambitions and the overall organisational culture at PIC. The Board is supportive of management's actions to keep employees informed of the Company's plans, vision, purpose and culture. The Chief Executive Officer, Chief Financial Officer and members of the Executive team hold regular Town Halls with all employees to facilitate a two-way dialogue between the Executives and PIC's workforce, and with feedback being provided to the Board. This has been particularly important in keeping employees up to date on the progress of the acquisition of the PICG Group by Athora, which is expected to complete on or around 27 March 2026. The Board receives regular updates from the Chief People Officer, which include any employee issues as well as updates on the results of the annual employee engagement survey. Views and feedback are taken into account by the Board in decisions affecting employees.  Further details about engagement with employees can be found in the Our People and culture section on pages 56-60 and in the Stakeholder engagement section on pages 46-49
(c) The need to foster the Company's business relationships with suppliers, customers and others Link to strategic objectives: 	The Board understands the need for PIC to continue to develop and maintain strong relationships with its suppliers, customers and various stakeholders. PIC takes proactive steps to engage with its suppliers through a long-term partnership approach, and PIC carefully selects suppliers who share its focus on customer outcomes and who have the capabilities to provide business-critical services. For example, PIC contracts out elements of its pension administration and customer contact to third party administrators and also needs to maintain strong relationships with pension advisers and trustees who engage with PIC in respect of potential new business. Throughout 2025, the Board Committees have received updates on the risk status and assurance of PIC's critical and material third parties and outsourcers.  Further details on engagement with our stakeholders can be found in the Stakeholder engagement section on pages 46-49

Section 172 Statement (continued)

s.172 factor	Our engagement and consideration of stakeholders
(d) The impact of the Company's operations on the community and the environment Link to strategic objectives: 	The Board understands the importance of ensuring that PIC's operations have a positive impact on the wider community and the environment. PIC is committed to building a long-term, sustainable business, based on the Company's purpose. Delivery of PIC's strategy is intended to provide employment across the economy and generate wider benefits in an environmentally and socially responsible manner. The Board has considered the progress of PIC's sustainability strategy and objectives during the year and the Investment and Origination Committee received updates on Responsible Investing and the summary of live construction scheme performance across the PIC Capital property portfolio. PIC's approach to climate change is incorporated into the Group's wider ESG strategy and is overseen at Board-level. PIC's Climate Report (TCFD) contains insights into PIC's climate-specific strategy, risk management and governance, as well as how climate is integrated within the PIC investment portfolio. The Board receives updates on PIC's climate-related targets and the plan to reach these, including the target to be carbon neutral within its own operations by 2025 which has now been achieved. PIC has been a significant investor for over a decade in areas such as social housing, renewable energy and the UK's universities.  Further information can be found in the Sustainability section on pages 61-70 and the Mandatory statutory financial climate-related disclosures section on pages 92-93
(e) Desirability of the Company maintaining a reputation for high standards of business conduct Link to strategic objectives: 	The Board is committed to ensuring that the Group operates with the highest standards of integrity and continually reviews and tests the compliance arrangements in place to manage the Group's principal risks and ensures that PIC fulfils its purpose of paying the pensions of its current and future policyholders. PIC identifies conduct risk as one of its principal risks whereby business practices, culture or behaviours could lead to unfair or poor outcomes for customers. The Board ensures that an appropriate framework, including relevant policies and codes of conduct are in place, and reporting and governance channels are clear and well understood and the Board is promptly made aware of any issues that may have a material impact on PIC's reputation and operations. The Board also acknowledges its responsibility for setting and monitoring the culture, values and reputation of PIC and its Committees receive regular Compliance and Data Protection updates, including a summary of remedial actions taken in respect of any breaches reported in the period, any incidents of fraud, data protection incidents and data subject access requests. The Audit Committee also receives an annual report from the Money Laundering Reporting Officer on the operation and effectiveness of these systems and controls. All employees are required to complete mandatory e-learning in respect of matters such as financial crime, whistleblowing and the Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA") conduct rules. The Group maintains an intranet hub where all key policies are available to employees and this is governed by a formal policy framework.  Further details can be found in the Stakeholder engagement section on pages 46-49 and the Corporate Governance report on pages 102-115
(f) The need to act fairly between members of the Company Link to strategic objectives: 	The Company focuses on positive engagement with its shareholders and other investors including debt holders. There are shareholder nominated Directors for the four largest shareholders. The Company maintains contact with other investors through regular reporting on its corporate website and through the Strategy function. During the year, the Board approved the payment of final, special, and interim dividends to shareholders.  Further details can be found in the Stakeholder engagement section on pages 46-49 and the Corporate Governance report on pages 102-115

Section 172 Statement (continued)

Principal decisions made during the year

The following describes some of the key decisions made by the Board in 2025 and demonstrates how s.172 matters have been considered as part of the Board discussions and decision making.

Acquisition of the Group by Athora

s.172 factors considered - (a), (b) and (f)

- The Board approved the acquisition of the Group by Athora. The acquisition reinforces PIC's strategy of providing very high customer service levels and increases its ability to invest in UK housing and infrastructure as Athora supports PIC through the next phase of its growth. This will allow PIC to provide its best pricing across a large number of pension risk transfer deals.

Continuing actions

- The Board will continue to engage with management on the integration activity.
- The Audit Committee will oversee and monitor the integration of financial reporting with a focus on understanding the requirements to meet the day one acquisition balance sheet and the subsequent reporting to the new Group parent.
- Policyholder interests were considered as part of the Board's decision-making process. Key to maintaining policyholder protections is the requirement to maintain robust regulatory capital levels, a Board approved risk appetite, as well as governance processes overseen by the PRA including having a majority of independent directors on the Board.

Where to find out more

Corporate Governance report **p102-115**

Culture statement and dashboard

s.172 factors considered – (a) and (b)

- The Chief People Officer ("CPO") provides updates to the Board on the activities to embed culture throughout PIC and management developed and presented for approval, a dashboard of definitions of behaviours being encouraged and metrics to monitor compliance.
- The Board approved the culture dashboard, which is organised into five key areas, Leadership, Employees, Customers, Society and Risk, each reflecting critical cultural dimensions and are linked to the business' strategic objectives. Indicators are used to measure and assess maturity and promote continuous improvement and the Board receives regular updates on emerging themes or trends.

Continuing actions

- The Board will continue to receive regular updates on the embedding of PIC's desired culture into the business.
- The Board will continue to engage with management on the culture dashboard and monitor emerging themes or trends.

Where to find out more

Corporate Governance report **p102-115**

Consumer Duty compliance

s.172 factors considered – (c) and (e)

- The Board and the Board Customer Committee considered and discussed the activities in respect of the embedding of the Consumer Duty within PIC.
- The Board Customer Committee thoroughly reviewed and challenged the second Consumer Duty Board Report ("CDBR") and recommended it to the PIC Board for approval and the PIC Board accordingly approved the final report.

Continuing actions

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

Where to find out more

Corporate Governance report **p102-115**

Section 172 Statement (continued)

Sustainability Reporting

s.172 factors considered – (d)

- The Investment and Origination Committee reviewed and approved the Stewardship Policy.
- The Audit Committee reviewed the Climate Report (TCFD) and Sustainability Report and recommended them to the Boards for approval.

Continuing actions

- The Investment and Origination Committee will continue to monitor PIC's investment portfolio ESG risk exposure, Responsible Investing Strategic Initiatives, Net Zero progress and Stewardship actions.

Where to find out more

Sustainability	p61-70
Environment/TCFD	p69
Investment and Origination Committee report	p120-121

Appointment of critical suppliers

s.172 factors considered – (c)

- The Board and its Committees have considered the Group's relationship with critical third parties, with a particular focus on key third party administrators and how these relationships continue to be managed to align with PIC's future strategy and growth ambitions.

Continuing actions

- The Board and its Committees will continue to receive regular updates on the status of material and critical third-party suppliers and administrators.

Where to find out more

Strategic objectives	p16-17
Origination, reinsurance and transitions	p34-37

Dividend payments

s.172 factors considered – (f)

- The Board considered the Group's financial position and whether the Company had sufficient distributable reserves to pay the proposed final, interim and special dividends. The Board considered the Group's solvency position and the 2025 Business Plan, and it was comfortable that the Company could meet the requirements of the Dividend Framework, which takes into account a range of stress and scenario testing.
- As required by the Companies Act 2006 and the Company's Articles of Association, a majority of the Company's shareholders approved the ordinary resolution authorising the payment of the final dividend for the year ended 31 December 2024.
- During the year, the Board approved the total dividends of c. £520 million to shareholders, made up of: (i) the payment of the 2024 final dividend of £160 million, which equated to 12 pence per ordinary share, paid in May 2025, (ii) the payment of a special dividend of £200 million which equated to 15 pence per ordinary share, also paid in May 2025, and (iii) an interim dividend of £160 million, which equated to 12 pence per ordinary share, paid in September 2025.

Continuing actions

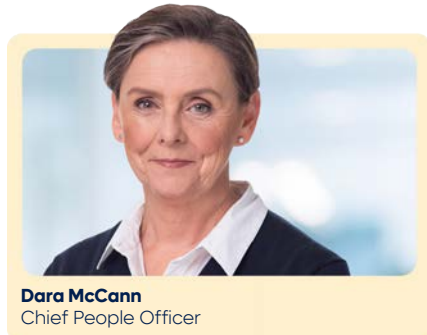
- The Board will consider the appropriateness of the payment of future dividends, pursuant to the dividend policy and framework.

Where to find out more

Strategic objectives	p16-17
Chief Financial Officer's review	p71-79
Chairman's introduction to corporate governance	p95

Our people and culture

Our people, our future.



As a leading employer in the pension risk transfer market we know that our employees are central to our success.

Purpose, culture, values

As a leading employer with a clear, straightforward purpose, we know that our people are central to our success. As part of our culture, we look to create a work environment that allows our employees to achieve their highest potential within their current roles, as well as develop the skills and expertise to help them further their careers.

The pension risk transfer market creates significant social and economic value in the UK. Our employees are motivated by the positive impact PIC has on society and the social value that they help create and deliver.

Whatever their area of work, PIC's 705 employees work together to deliver positive stakeholder outcomes, guided by our Company values: Resilient; Adaptable; and Loyal.

Our purpose, which is to pay the pensions of our current and future policyholders, is well understood across the organisation, with 97% saying they understood it in our 2025 employee survey. It firmly places our ultimate end-customers – our policyholders – at the heart of our decision making and is instrumental to the success we have achieved over the last 20 years.

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

Clear and communicated strategic objectives

Our values



Resilient

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



Adaptable

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



Loyal

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

Underpinned by our culture

Our customers are our priority

Our people ensure we stand out from the crowd

Our people and culture (continued)

Our values shape our behaviour which in turn guides our employees to deliver good customer outcomes.

During 2025 we were delighted to introduce the PIC Values Awards as a further way to demonstrate recognition of the amazing work our employees do every day. Employees were nominated by their colleagues for consistently demonstrating the PIC values – Resilient, Adaptable and Loyal – in action. Over 40% of employees were either nominated or part of the employee judging panel. The winners were announced during the annual all-staff conference and received a monetary prize presented by members of the Executive Committee and the Board.

Employee engagement

Employee engagement is the degree to which employees feel connected to their work, committed to the organisations purpose and motivated to contribute their best effort.

We typically measure employee engagement through a comprehensive annual survey.

The questions cover topics such as customer focus, leadership, pay and efficiency and help us assess the extent to which our employees know and understand the Company's strategy, values and purpose.

It also provides insight into how well PIC is creating a challenging and supportive work environment, shows where our people are thriving and highlights opportunities to strengthen the conditions that enable individual success and organisational performance.

We received a strong response rate to the engagement survey of 72%. As with previous years, our high-scoring areas consistently include recommending PIC as a good place to work at 91%, a sense of pride in working for the Company at 93%, our unparalleled customer focus at 94% and a high degree of confidence in PIC's future at 77%.

In 2025, we also deliberately broadened our approach to listening, moving beyond the survey to introduce a Listening Series to capture deeper, more nuanced insight from across the organisation. The focus was 'Talent Matters' a deep dive into employee experiences, aspirations and enablers, via focus groups, in relation to career development and learning. The insights gained are enabling us to shape our career framework, ensuring that employees are gaining access to learning and development opportunities that enhance their overall experience of working at PIC.

Throughout the year, there are numerous ways in which employees can provide ad hoc feedback. Whether it be at the annual all- employee conference, during our regular Town Halls, informal ExCo lunches or during our recently introduced HR Clinics, employees receive regular updates about people topics impacting them.

Employees have access to and receive information from senior leaders about the Company's progress throughout the year, share best practice from across the firm and celebrate Company-wide successes. Importantly, it gives senior management an opportunity to listen to those that are closest to the day-to-day work so that we can adapt and remain resilient in ever-changing markets.

It is important to PIC's leadership that employees have the opportunity to share their views on working life at PIC in order for us to remain an employer that our employees are proud to work for.

We are incredibly proud that PIC has been recognised by Actuarial Post as 'Employer of the Year' for the second consecutive year. This achievement is testament to our ongoing investment in the development and training of actuarial talent, from students to qualified professionals, and our commitment to fostering an environment where they can thrive.

PIC was accredited its first Investors in People status in 2019. Since then, it has continued to improve how it supports employees. It has now achieved the "We Invest in People" Gold accreditation in 2025, having previously received the Silver accreditation. This is a fantastic achievement. In addition, we were awarded the "We Invest in Wellbeing" accreditation at our first attempt.

2025 employee engagement survey highlights

93%

believe strongly in the goals and objectives of PIC

94%

believe PIC is truly customer focused

91%

would recommend PIC as a good place to work

93%

are proud to work for PIC

Our people and culture (continued)



Rewarding our employees

We know how important it is for employees to feel duly rewarded for their work. PIC is proud to offer a remuneration and benefits package that is competitive, with a number of new benefits added in recent years.

As well as competitive pay, pension and bonus schemes, our package is designed with the long-term health and wealth of our employees in mind and provides continuous service awards to further incentivise employees based on their length of service. These awards include financial 'MOTs', external career coaching and in-depth, personalised health assessments.

Nurturing our talent (L&D)

In the latter half of 2025 we launched a fresh focus on talent, taking a more deliberate and joined-up approach to how we support our people to grow, thrive and build sustainable careers at PIC. This marked a shift from individual initiatives towards a clearer partnership with employees on their development.

As part of this work we continue to invest in building confident, capable leaders through our core management and leadership programmes, namely 'Leading Teams' and 'Leading Leaders'. Alongside this, we enhanced our learning infrastructure through the launch of our new learning platform in partnership with LinkedIn Learning, providing colleagues with access to more than 23,000 high-quality, on-demand courses. This significantly broadens opportunities for self-directed learning and skills development, supporting both individuals' growth journeys and the capabilities PIC needs for the future.

Diversity and inclusion

Alongside this renewed focus on talent, we strengthened our commitment to diversity and inclusion as this continues to be an important feature of the PIC employee experience. As we continued to grow and deepen our commitment to creating an environment that encourages belonging, we introduced a committee to bring more structure, accountability and visibility across our growing employee base.

Diversity and inclusion at PIC is built around three core pillars:

- Educate – sharing knowledge and building understanding
- Equip – gathering data to act with direction
- Encourage – fostering relationships with our external DE&I partners, providing opportunities for mentoring and volunteering.

Dara McCann
Chief People Officer



We're excited to partner with impactful charities, see [page 70](#) for more information

Our people and culture (continued)

Case study: **PIC value awards**

For diverse perspectives.

During 2025 we launched our inaugural PIC values awards to recognise and celebrate the passion, dedication and excellence of our employees. They are a reminder that it's not just what we do, but how we do things that matters. Our values support our culture and drive the behaviours that allow us to fulfil our purpose and encourage diverse perspectives.

We wanted to recognise three individuals that aligned to each value – resilient, adaptable and loyal – and one team award honouring groups that exemplified all three. Employees were invited to nominate colleagues who demonstrated these values in action. To ensure fairness and inclusivity, we selected a panel of eight judges from across the business to review submissions against behavioural criteria for each value.

The response was fantastic with 113 nominations and 19 team nominations. The 'Adaptable' award was presented to Chui Chan, Investments Office Business Manager, who is one of PIC's longest serving employees. Her career journey spans multiple departments including IT, Business Change, and now Investments, reflecting her ability to embrace change and thrive in diverse roles. Chui received nominations for all three values and stood out as a true role model. The judges praised her for consistently demonstrating adaptability: "Chui has continually flexed and adapted to new and changing environments, teams, people, reporting lines and responsibilities. She approached every task with professionalism, a can do mindset, showing kindness and helpfulness by welcoming new people and sharing her knowledge. She embraces new challenges, even those beyond her areas of experience, always striving for positive business outcomes and results."

We look forward to celebrating the achievements of our employees in the years to come, living by the values that make PIC successful.



The awards are an excellent recognition of the talent we have here at PIC.

Chui Chan
Investments Office
Business Manager



Our people and culture (continued)

PIC's gender pay gap report 2025

About the gender pay gap

The gender pay gap is a measure of labour market or workplace disadvantage, expressed in terms of a comparison between men's and women's average (median and mean) hourly rates of pay. Gender pay gap reporting doesn't specifically ask who earns what, but what women earn compared with men. It provides a framework within which gender pay gaps can be surfaced, enabling us to constructively consider why they exist and what to do about them.

Background

On 5 April 2025, PIC had 654 employees. Since the last gender pay gap reporting, PIC has seen its employee size grow by about 75 employees. Whilst the proportion of male and female employees within each pay quartile has remained fairly static, there are marginally less women in the upper and upper-middle quartiles.

Current gender pay gap

The mean gender pay gap as at 5 April 2025 is 9.0%. The mean is the main figure used for industry-wide reporting and for comparisons against other companies. The pay gap has decreased from 15.3% to 9.0% in the last 12 months. The mean salary gender pay gap has reduced, reflecting the positive impact of increased female representation at senior levels and ongoing actions to attract, retain, and develop female talent across the organisation.

Bonus pay gap

The reporting for the bonus pay gap must include all qualifying bonus payments which are subject to PAYE. The introduction of pension bonus sacrifice in March 2025, and any amounts sacrificed to pensions are excluded from the gender pay gap calculations. The bonus pay gap includes cash bonuses and shares at the point of exercise, rather than award.

For that reason, our bonus pay gap could vary significantly each year due to circumstances beyond our control. For the current reporting period, the median bonus pay gap has decreased from 33.3% last year to 29.4% in the last 12 months. Our 32.9% increase in the mean bonus pay gap was driven by the exercise of share awards during the reporting period with male employees exercising significantly more compared with female employees.

As employees in the upper quartile have higher target bonuses and are more likely to receive share awards, the median bonus gap will remain at a higher level until we have more women in the upper quartile.

Actions we are taking to address the gender pay gap

PIC recruited approximately 164 new joiners since 2024 and of these, 47% were women.

The appointment of three additional female NEDs (one on PIC/PICG and two on a subsidiary company board) has increased the female representation at senior levels and narrowed the mean salary gender pay gap.

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

PIC also partners with GAIN (Girls Are Investors), whose "mission is to inspire and empower the next generation of women and non-binary investment professionals by providing a platform for learning, career development and networking". This could impact our gender pay gap in the short term, but our long-term goal is to bring more diverse talent into PIC and the wider sector through this initiative.

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

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

35.2%
of our employees are women

26%
of our employees in the upper pay quartile are women.

Average salary and bonus pay gap

	2023*	2024*	2025**	Changes in last 12 months
Mean salary	11.4%	15.3%	9.0%	6.3% (down)
Median salary	15.1%	16.8%	14.4%	2.4% (down)
Mean bonus	(24.0%)	(8.3%)	24.6%	32.9% (up)
Median bonus	23.7%	33.3%	29.4%	3.9% (down)

* 2023 and 2024 figures includes pension salary sacrifice as this was introduced from April 2023.

** 2025 figures includes both pension salary sacrifice and pension bonus sacrifice. Pension bonus sacrifice was introduced from March 2025.

Percentage of women at each quartile (vs previous year)

	Lower quartile	Lower middle quartile	Upper middle quartile	Upper quartile
Women	47% (48%)	34% (34%)	29% (29%)	26% (24%)
Men	53% (51%)	66% (66%)	71% (71%)	74% (76%)

Gender pay gap definition

The gender pay gap is a measure of the difference between the average pay of men and women across the Company. The gender pay gap calculation does not take account of role, seniority or whether employees work full-time or part-time.

Bonus pay gap definition

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

Sustainability

Introduction

For our sustainable business.



Simon Abel
Chief Strategy Officer & ExCo
Sustainability Lead

In what has been a challenging year for the sustainability industry, including some reassessment of public sustainability commitments by market participants, we remain committed to our sustainability strategy, our decarbonisation plan and protecting the value of our assets by integrating Environmental, Social and Governance ("ESG") into our business and investment processes.

2025 was a milestone year for our sustainability targets, including being carbon neutral in our operations. We have achieved this, in large part, due to our new office at 22 Ropemaker Street which was designed with sustainability at the core, for both environmental performance and employee wellbeing.

We hosted our first 'PIC Values Awards', recognising employees that were nominated and judged by peers as most embodying the PIC values of resilient, adaptable and loyal. The awards were presented at PIC's annual all-employee offsite 'TyPICally us', a day which puts emphasis on our collaborative and inclusive culture.

We are also delighted to have been awarded, for a second consecutive year, Actuarial Post's 'Employer of the Year' award.

We are pleased to have met our investment portfolio-related climate target of reducing the carbon intensity of our public corporate credit portfolio by 25% from 2019 levels. We are also cautiously optimistic about our 2030 target of reducing total portfolio emissions by 50%, having currently surpassed this target. However, we do not expect progress to be linear and our primary objective remains our purpose of paying the pensions of our current and future policyholders.

Our sustainability strategy remains guided by its four main pillars:

1. Being a long-term sustainable business
2. Being a responsible investor
3. Protecting the environment
4. Making communities sustainable, safe and inclusive

As a business, we have focused on embedding sustainability as business as usual ("BAU") across processes with named accountable executives and champions. Our culture – prioritising our customers – was recognised by ServiceMark with Distinction for 'consistently high customer service levels' and we have been awarded the BSI Kitemark for inclusive service – the gold standard for accessible and inclusive service to customers with vulnerable circumstances.

Although 100% of our assets benefit from our Responsible Investment approach, we categorise 24.6% of our total portfolio assets as being sustainable assets, which by our definition means the investee company meaningfully contributes towards one of the United Nations Sustainable Development Goals ("UN SDGs").

Some examples of sustainable investments made this year include:

- \$50 million investment into a portfolio of hydropower assets;
- \$50 million investment into a shipping terminal to help it attain its ambitious Net Zero goals; and;
- £300 million investment into critical UK water infrastructure.

We endeavour to be active members of our industry to promote progress. As founding signatories to the Accounting for Sustainability ("A4S") Sustainability Principles Charter for the Bulk Annuity Process, this year we took a lead role in the reinsurer engagement workstream, which delivered notable outcomes. We were once again admitted as signatories to the UK Stewardship Code, recognising our commitment to being good stewards of our capital.

We were also delighted to be awarded Environmental Finance's Sustainable re/insurer of the year for the second year in a row.

I am pleased to present a summary of what PIC has achieved as we make further progress on our sustainability journey.

Simon Abel
Chief Strategy Officer & ExCo
Sustainability Lead, PIC



Our commitment to sustainability is closely aligned to our purpose and is reflected in our 2025 milestone achievements.



For more information, please see our **2025 Sustainability Report**



For more information, please see our **2025 Climate Report (TCFD)**

Sustainability (continued)

Introduction (continued)

Evolution of PIC's sustainability journey



1. Bulk Purchase Annuity ("BPA").

Sustainability (continued)

Introduction (continued)

Case study: **A4S: Sustainability Principles Charter for the Bulk Annuity Process**

For industry progress.

PIC is a founding signatory and active participant in the A4S initiative of the Sustainability Principles Charter for the Bulk Annuity Process. The initiative has brought together pension schemes, insurers, pension advisers and the regulatory community to produce a Sustainability Principles Charter which seeks to align expectations around sustainability within the bulk annuity process. It sets out clear principles to drive greater transparency, reporting and engagement before, during and after a buyout or buy-in transaction between pension schemes and insurers.

The majority of occupational DB pension schemes in the UK are now closed, with many maturing on a path which considers transacting with a pension insurer. Insurers, as well as pension schemes and advisers, therefore play an increasingly important role in ensuring that pension investments are both resilient to the climate, nature and social crises that we face, as well as playing an active role in investing in a more sustainable world for pension members to retire into.

The four key principles are:

1. Transparency

Transparency of values, principles and investment beliefs in relation to sustainability, as well as ongoing commitments that may guide future policy and practice affecting sustainability approaches.

2. Decision making

Evidence and understanding of how sustainability considerations are incorporated into investment analysis and decision-making processes, and investment stewardship activity.

3. Reporting and engagement

Ongoing reporting and engagement to key stakeholders on sustainability commitments beyond the point of transaction.

4. Collaboration

Commitment to ongoing engagement across the pension sector as responsible investment best practice evolves.

A4S Sustainability Principles Charter 2025 achievements

Consolidated reporting

A meaningful achievement of the A4S initiative in 2024 and early 2025 was the consolidation of sustainability-related reporting by insurers to pension scheme advisers. In past years, insurers received annual bespoke and often lengthy reporting requests from the pension adviser community to detail their sustainability approach and capabilities. As a result of the initiative, adviser signatories collectively agreed on a 'master-set of questions' to ask all signatory insurers who, in early 2025, submitted their final responses back to advisers. We welcome this coordinated and much simplified reporting process.

Collaborative engagement with reinsurers

In 2025, PIC played an active role in a workstream that communicated the Charter's expectations with the reinsurer community. Charter signatories reached out to their global network of reinsurers inviting them to an initial information session, hosted by A4S and insurer signatories, to explain the principles of the Charter and insurer expectations. The initial session was attended by three reinsurers who were interested in learning more about what insurer expectations around sustainability were for them. They agreed to take a few steps forward in providing some standard reporting on an annual basis and attending an insurer signatory update meeting once a year. In addition, PIC integrated responsible investment criteria within investment guidelines of Funded Reinsurance agreements considered during the year.

[Link to sustainability strategy](#)



Sustainability (continued)

Sustainability strategy

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

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

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

Sustainable re/insurer of the year 2025



PIC has been awarded Sustainable re/insurer of the year 2025 by Environmental Finance. This is our second consecutive win in an increasingly competitive category.

In particular, the judges were impressed with PIC's Sustainable Assets Framework which adds robustness to our claim that a meaningful portion of our portfolio is considered 'sustainable', our approach to Nature considerations and our carbon offsetting strategy. The judges also felt that our case studies evidenced our genuine responsible investment strategy, social value creation and pro-active industry participation.

Our sustainability strategy

Creating long-term value as we fulfil our purpose



Long-term sustainable business

Focus areas

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



Being a responsible investor

Focus areas

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



Protecting the environment

Focus areas

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



Making communities sustainable, safe and inclusive

Focus areas

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

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

Our strategic objectives



To continue building a secure and sustainable business



To carry on leading as a responsible corporate citizen



To keep on driving long-term value growth

Fulfilling our purpose in a responsible manner

Responsible Corporate

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

Responsible Investor

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

Our purpose

To pay the pensions of our current and future policyholders

Sustainability (continued)

Responsible investing

Since becoming a signatory to the UN PRI in 2020, PIC has embedded responsible investing at the heart of its strategy. Our latest 4-star assessment reflects our commitment to integrating ESG considerations into every stage of our investment process.

We believe that companies with strong sustainability practices are better positioned to deliver long-term value. By incorporating ESG factors into our investment decisions, we aim to mitigate risk, identify opportunities, and promote responsible corporate behaviour. This approach supports our purpose of paying pensions securely over the long term while creating meaningful social value.

Our investment approach

ESG analysis is a core part of our due diligence and credit assessment process. We evaluate ESG risks and opportunities alongside traditional financial metrics, giving us a more comprehensive view of an issuer's long-term resilience. These assessments are tailored by sector and geography, recognising that ESG risks vary across industries and regions.

Our investment team is expected to consider ESG factors in all decisions. Specialist credit analysts conduct in-depth reviews and collaborate closely with our Responsible Investing team to ensure alignment with PIC's sustainability objectives. This forward-looking approach helps us assess the long-term viability of investments, often spanning decades.

[Link to sustainability strategy](#)



Case study: Hydropower investment

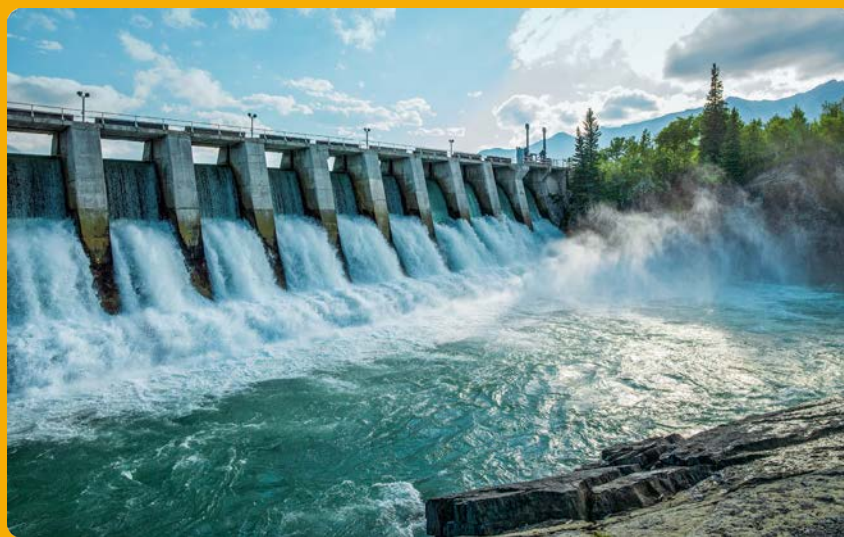
For climate analysis on a renewable investment.

In December 2025, PIC invested \$50 million in a portfolio of hydropower assets in the United States, which provide base load renewable electricity to customers in a number of Northern US states.

As part of our due diligence, we were particularly focused on the potential impact of physical climate change on the value of the hydropower assets. As a result of climate change, there are likely to be changes in weather patterns, including the overall quantity and variability of rainfall.

This presented a long-term risk to asset valuations as they could impact the ability of the assets to generate electricity on a consistent basis. The risks were both a reduced amount of precipitation overall, leading to reduced generation volumes, and increased variability, leading to more droughts and variability in the electricity generation.

We were provided with a third-party technical report covering the possible impact of different climate scenarios. Overall, electricity generation was expected to modestly increase under the most extreme scenario. While there are significant challenges in predicting weather patterns on such timescales, we considered the absence of a significant downside in the modelling to be a positive indication of the low level of risk and proceeded with the investment.



Responsible investor

PIC portfolio

ESG integration

Within all investment processes across asset classes

Social value

Investments into sustainable assets that create beneficial outcomes for people and our planet

Stewardship and engagement

UK Stewardship Code signatory, Standalone Stewardship Policy, Engagement strategy

Industry participant

UN signatory, Net Zero Asset Owners Alliance member, ABI Climate Change Working Group participant, A4S founding signatory

Climate change

Decarbonisation to Net Zero, TCFD reporting, TPT, climate risk management and climate scenario testing

Sustainability (continued)

Responsible investing (continued)

Responsible investing: 2025 strategic initiatives

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

Decarbonising our business

Monitored and progressed portfolio decarbonisation in line with targets, with our 2025 target successfully met

Link to Strategic objectives



Conducting climate scenario analysis

Continued to develop more meaningful scenario analysis on a sector-by-sector basis

Link to Strategic objectives



Enhancing our engagement strategy

Completed the first year of our five year engagement strategy which includes objectives for each engagement topic

Link to Strategic objectives



Integration of sustainability-related risks and opportunities into investment decisions

Integrated sustainability considerations across asset classes to mitigate risks and future proof assets

Link to Strategic objectives



Active industry participant

Promoted selected industry initiatives to raise industry standards

Link to Strategic objectives



Understanding nature-related risk within our portfolio

Further review of nature-related risk for our portfolio to identify most material exposures

Link to Strategic objectives



Core activities

Input into investment decisions

Integrate ESG into credit analysis and due diligence.

Input into Origination

For both existing buy-in schemes and prospective transactions.

Decarbonisation alignment

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

Ongoing stewardship and reporting

Pursuing quality engagement activity and reporting on it.

PIC sustainability

Embedding sustainability across our operations guided by our target operating model.



Integrating ESG into our investment processes allows us to identify factors that may erode the value of our investments over time. Given our buy-and-hold strategy, identifying such factors early on is key to making a good long-term investment decision.

Cléo Fitzsimons
Head of Sustainability, PIC

Sustainability (continued)

Sustainable assets

PIC defines a sustainable asset as one whose core business activity contributes meaningfully to solving one or more of the UN SDGs, delivering positive outcomes for both people and the planet. While 100% of our portfolio benefits from our Responsible Investment strategy, which integrates ESG factors into all our investment processes across asset classes, we consider 24.6% of our portfolio to be, as per our definition, sustainable. In addition, we apply our Sustainable Assets Framework to substantiate this claim, further details of which can be found in our 2025 Sustainability Report.

The term 'sustainable' reflects the inherent social and environmental benefits generated by a company's operations—not simply its charitable initiatives. Our £13.5 billion investment in such sustainable assets underscores our belief that responsible investing is not only aligned with our purpose of paying pensions securely over the long term, but also represents a strategic opportunity to drive positive change.

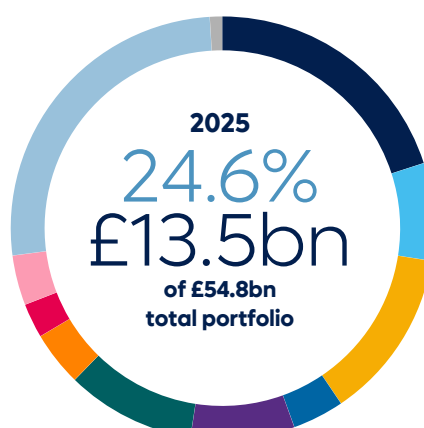
Our portfolio includes investments in affordable housing, clean transportation, renewable energy, education, healthcare, and infrastructure. These investments are a testament to our commitment to creating long-term social value while maintaining financial resilience.

[Link to sustainability strategy](#)



Sustainable assets

Proportion of total portfolio over the last five years



● Housing Associations/ Social Housing	20%
● Renewable Energy	7%
● Education	13%
● Not For Profit	4%
● Healthcare	8%
● Municipals	10%
● Sustainable/Clean Transport	4%
● Project Finance (funding sustainable initiatives)	3%
● Green or Sustainable Buildings including Build-To-Rent	4%
● Regulated Utilities (Water, Electric)	26%
● Circular Economy	1%

2024

25.0%
£12.7bn
of £50.9bn total portfolio

2023

23.3%
£10.9bn
of £46.8bn total portfolio

2022

24.8%
£10.2bn
of £41.2bn total portfolio

2021

26.6%
£13.7bn
of £51.4bn total portfolio



While 100% of our assets benefit from our Responsible Investment approach, we consider 24.6% of our portfolio to be sustainable. This helps ensure that we continue to create significant social value as we invest to pay the pensions of our policyholders over the coming decades.

Rob Groves

Chief Investment Officer, PIC



For more information see **Sustainability Report 2025 – Appendix 1** for our Sustainable Assets Framework used to categorise our sustainable asset count

Sustainability (continued)

Stewardship and engagement

At PIC, stewardship is more than a principle – it's a core part of how we operate as long-term investors. Our purpose is to pay the pensions of our current and future policyholders, and we believe that responsible capital allocation plays a vital role in delivering this commitment while creating long-term value for society, the environment, and the economy.

We are proud to have maintained our signatory status to the UK Stewardship Code for a third consecutive year, demonstrating our ongoing commitment to the 12 principles of effective stewardship set by the Financial Reporting Council ("FRC").

[Link to sustainability strategy](#)



2025 marked the inaugural year of implementing our five-year engagement strategy, and we are pleased with the progress achieved to date. At PIC, we recognise that the quality of our interactions with investee companies is fundamental to effective stewardship. As such, we are committed to continuously enhancing the depth and purpose of our engagements.

Tracking progress

To monitor progress, we developed a dedicated ESG engagement platform. This tool allows us to log engagements, track outcomes against KPIs, and identify where further action or escalation is needed.

In 2025, we engaged with 183 companies on a range of sustainability topics. While climate change remained a key focus, we also increased our efforts on social issues, recognising the importance of balancing environmental and social outcomes in a just transition.

The chart below displays the breakdown of our engagements by area of focus.

Engagement focus



Climate Change	31 %
Human Rights	9 %
Natural Capital	28 %
Human Capital	7 %
Corporate Governance	11 %
Diversity, Equity & Inclusion	14 %

* Specialist third-party engagements not included in total figure.



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

Why we engage

Engagement is done for two main reasons at PIC:



Fact finding

To gain a deeper understanding of a company's operations, stakeholders, and performance. This type of engagement supports our investment decisions and is typically conducted through detailed, targeted questioning during due diligence.



Purposeful dialogue

To influence corporate behaviour and drive positive change. These engagements are collaborative and ongoing, fostering open conversations that support long-term relationships and align with our buy-and-hold investment strategy.

How we engage

We use four main channels to engage with investee companies:

- 1. Direct engagement** by our credit analysts
- 2. Collaborative initiatives** with other institutional investors
- 3. Specialist third-party engagements** for niche asset classes
- 4. Engagement via external asset managers**

Our engagement strategy

In 2025, we rolled out our new five-year engagement strategy which focused on six core themes:

- 1. Climate Change**
- 2. Natural Capital**
- 3. Human Rights**
- 4. Human Capital**
- 5. Corporate Governance**
- 6. Diversity, Equity & Inclusion**

These themes were selected based on their materiality across our portfolio and their potential to deliver meaningful impact. Our engagement efforts spanned multiple asset classes and were designed to support both company-level improvements and broader economic resilience.

Sustainability (continued)

Environment

Summary of our TCFD disclosures

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

This year we have successfully achieved both of our 2025 decarbonisation targets and we remain focused and committed to meeting our 2030 and 2050 targets.

This progress continues to be driven by our long-term approach: engaging with our existing borrowers to encourage decarbonisation of their business, and focusing on low-carbon investments where available for our new investments.

[Link to sustainability strategy](#)



For more information see our **Climate Report (TCFD) 2025** for more detail on our approach to climate change

PIC's climate achievements

Reduced Scope 1 and 2 emissions by

40%

We have met our 2025 target to be operationally carbon neutral by reducing our Scope 1 and 2 location-based emissions by 40%, with residual emissions offset using high-quality carbon credits.

Reduced Scope 1 and 2 emissions intensity by

47%

During 2025 PIC reduced its Scope 1 and 2 carbon emissions per FTE by 47%, driven by our move to 22 Ropemaker Street and growing headcount.

Investment Portfolio WACI

127 tCO₂e/ \$m revenue¹

The Weighted Average Carbon Intensity ("WACI") of PIC's portfolio has reduced by 18% in 2025, based on portfolio data coverage of 77% (FY24: 77%).

Public Corporate Credit WACI

137 tCO₂e/ \$m revenue

We have successfully met our 2025 target of 216 tCO₂e/\$ revenue, which reflected a 25% reduction from a 2019 baseline.

PIC's climate risk management

We apply our Enterprise Risk Management Framework to climate-related risk to ensure our approach is consistent with other risks that PIC faces. In particular, our Risk Management Process is used to identify, analyse, mitigate, monitor, and report on climate-related risks

Risk identification and analysis

We consider climate risks to have the most material potential impact on solvency and liquidity risks, through their impact on market, credit concentration, and counterparty default and downgrade risks.

Risk mitigation

Our TCFD report sets out the risk mitigation actions that we take, including portfolio decarbonisation targets, engagement with counterparties, and climate scenario analysis.

Risk monitoring and reporting

We report on climate risk metrics through PIC's usual governance process, with defined risk appetites and triggers for further consideration.

PIC's climate targets

2019

2019 Base year

for our portfolio decarbonisation targets

2025

Carbon neutral as a business by 2025

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



Target achieved

Portfolio emissions target 25% decrease by 2025 from 2019 levels

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



Target achieved

2030

Portfolio emissions target 50% decrease by 2030 from 2019 levels

PIC is committed to decreasing the WACI of the investment portfolio by 50% from 2019 levels by year-end 2030

2050

Net Zero across all emissions by 2050

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

1. This metric has been subject to independent limited assurance under ISAE (UK) 3000 and ISAE 3410. The limited assurance report provided by KPMG can be found in Appendix 2 of our Climate Report (TCFD).

Sustainability (continued)

Working with our charity partners

Our commitment to giving back is led by PIC's Charity Committee, a group of passionate volunteers from across the business, including our Interim Chief Executive Officer and General Counsel as Board and ExCo sponsors. PIC allows and encourages all employees to take up to two volunteer days a year during regular working hours. PIC also matches employee fundraising and donations to charity.

We're proud of our long-standing partnership with Independent Age, which supports older people across the UK. In 2025, we continued to work alongside our newest charity partner: Beyond, a youth mental health charity chosen entirely through an employee-led process.

We support our charity partners through matched funding, payroll giving, and access to Charity Aid Foundation accounts.

Our fundraising calendar includes events such as the PIC Treasure Hunt, which in 2025 raised £33,100 – matched by PIC for a total donation of £66,200 split between our two charitable partners.

We also continued our partnership with Money Ready (formerly known as RedSTART Educate), a financial education charity delivering interactive workshops to primary school children. Their programme includes an app that rewards students for completing maths challenges, helping them learn about saving and spending in a real-world context. In 2025 we added a new school as recipient of our volunteering efforts.

PIC offers employees the opportunity to take two paid 'volunteer days' a year. In 2025, PIC employees in total took 171 days, which is almost double what was taken in 2024.

A number of employees volunteered at Bow FoodBank as well as Haven House, a children's hospice in North East London that supports seriously ill children by creating a loving and warm environment for them and their families while they go through the toughest of times. Employees also took part in a number of sporting events to raise money for charity, such as the London Marathon, Royal Parks Half Marathon, and even a self-organised event involving playing 72 holes of golf in a single day.

Over the Christmas period, we collected over 800 items of food/household goods and £400 of employee donations which was donated to Bow FoodBank, Hilldrop Community Centre and FoodCycle. PIC also matched employee generosity by donating £1,000 to each of those three charities.

Policyholder events

This year, 11 policyholder events were held across the UK including Newcastle, Manchester, Leeds, with our flagship policyholder event taking place at Alexandra Palace in September 2025 with over 600 policyholders attending. Our events feature a mix of internal presentations, policyholder stories and guest speakers. Topics discussed include updates from PIC's CEO, CFO and CIO, the creation of social value, and demystifying money and consumer rights.

Beyond

Beyond is a youth mental health charity tackling the growing mental health crisis affecting young people in the UK. They seek to address the lack of access to support and create opportunities for early and personalised interventions. The charity is guided by a volunteer youth board who use their own experiences to inform everything that the charity does and ensures focus is kept on young

Read more at
www.wearebeyond.org.uk

[Link to sustainability strategy](#)



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

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

[Link to sustainability strategy](#)



Chief Financial Officer's review

Continued balance sheet strength providing a foundation for future growth as part of the Athora Group.

The Group delivered another strong set of results in 2025. We generated £541 million of equity own funds ("EOF") before the payment of dividends, completed £6.8 billion of new business across 26 transactions and generated £898 million of surplus before dividends and movements in ineligible debt.

Our solvency ratio strengthened further to 257% and remains well above our long-term target range. This continues to provide security to our 438,000 policyholders and protects us against market volatility. We are well-positioned to support market demand in funding new business transactions. The strength of our balance sheet, supported by surplus generated, enabled us to pay dividends totalling £520 million during the year.



Continued delivery of strong financial results.

Rachel Ware
Interim Chief Financial Officer

The definitions of the following APMs are set out in the Alternative Performance Measures section on page 209. For the reconciliations to their closest IFRS measure, where applicable, see:

 Equity own funds on **page 78**

 Adjusted operating profit before tax on **page 74**

 Adjusted equity on **page 73**

Financial highlights	2025 £m	2024 £m
Gross premiums written	6,752	8,064
Solvency ratio (unaudited) ¹	257%	237%
Equity own funds (unaudited) ¹	5,821	5,800
Equity own funds generation (unaudited) ^{1,2}	541	229
Solvency surplus (unaudited) ¹	4,850	4,700
Adjusted operating profit before tax ("AOPBT") ^{1,3}	880	875
Profit before tax	334	371
Adjusted equity ¹	6,560	6,500
Financial investments	54,793	50,932

1. The Group uses a range of alternative performance measures ("APMs") to assess the financial performance and position of the Group.
2. Equity own funds generation is stated before dividends.
3. AOPBT has been redefined to include the impact of investment-related management actions to better reflect the core operating performance of the business. 2024 has been restated to reflect this change.

Chief Financial Officer's review (continued)

I am delighted to share this set of financial results as interim CFO. They show another year of strong financial performance demonstrated by significant EOF and surplus generation, and continued strong IFRS operating profits, all of which are underpinned by a strong balance sheet with solvency at 257% (2024: 237%).

In 2025, we generated £541 million (2024: £229 million) of EOF exceeding the distributions made to our shareholders of £520 million (2024: £400 million). This included strong returns from our in-force book and surplus assets, which generated £590 million (2024: £585 million) of EOF based on our expected long-term returns, and a new business and reinsurance contribution of £268 million (2024: £249 million). We also took advantage of market opportunities to continue to optimise our asset portfolio, generating a further £159 million of value (2024: £156 million). These contributions were partly offset by finance and project costs alongside adverse economic impacts. After taking account of the payment of dividends, EOF ended the year at £5.8 billion, unchanged from 2024.

We completed 26 deals in 2025 (2024: 25 deals), with 18 of those deals in the second half of the year. This led to total new business volumes of £6.8 billion (2024: £8.1 billion). The market dynamics experienced in 2024 continued into 2025 with less capital-intensive strategies adopted for new business. Despite these dynamics, EOF new business value as a percentage of volumes increased to 3.6%, net of Funded Re, compared to 3.0% in 2024. This was achieved alongside a slightly lower new business strain.

Our balance sheet is extremely well capitalised with the solvency ratio increasing to 257% (2024: 237%). This increase was driven by similar factors to EOF, alongside actions taken to optimise the capital position, partly offset by the capital deployed for new business. This strength ensures the security of our policyholders and enables us to compete for the strong pipeline of new business including being one of the few companies able to quote for the largest schemes. At year end 2025, closing surplus was £4.9 billion (2024: £4.7 billion). This included surplus generated before dividends and debt ineligibility of £898 million (2024: £677 million).

AOPBT in 2025 was £880 million, broadly in line with 2024 (2024: £875 million). This continued strong performance benefited from a higher contribution from new business and reinsurance, partly offset by a lower benefit from asset optimisation which target solvency returns, rather than IFRS profit.

The contractual service margin ("CSM") net of reinsurance and tax, a store of future profits reflecting the deferred initial profit on business that has already been written, increased to £3.0 billion (2024: £2.6 billion), primarily due to new business and reinsurance written in the year alongside assumption changes. This will be released into profit in future periods. Profit before tax which takes into account the movement in the CSM and investment-related variances was £334 million (2024: £371 million).

Adjusted equity, a measure of overall shareholder value, increased by £580 million before dividends primarily due to the profits generated in the year and the increase in the CSM. After the payment of £520 million in dividends, Adjusted equity was £6.6 billion at year end 2025 (2024: £6.5 billion).

Our portfolio of financial investments increased to £54.8 billion (2024: £50.9 billion) driven by new business written in the year, partly offset by payments made to policyholders. Our low-risk investment strategy continues to perform well. We make long-term investment decisions that secure the pension payments for our policyholders whilst investing in a purposeful way to generate long-term social value. At year end, 92% of the portfolio, including gilts and corporate debt, was rated investment grade (2024: 92%) and we continue to manage exposures carefully in the light of the continued uncertain economic and geopolitical outlook.

Looking forward, the PRT market remains strong, with £400-600 billion of business forecast over the next ten years. The strong pipeline of new business, our robust capital position, and our track record of winning and onboarding large and complex schemes with a customer satisfaction score of 99%, positions us well to support market demand in funding new business transactions.

Chief Financial Officer's review (continued)

IFRS

IFRS statement of comprehensive income

Statement of comprehensive income – summarised	2025 £m	2024 £m
Insurance service result	310	193
Net financial result	370	499
Other operating expenses	(217)	(197)
Other finance costs	(129)	(124)
Profit before tax	334	371
Tax charge	(78)	(87)
Profit after tax	256	284

Please refer to page 74 for the additional reconciliation between AOPBT and profit before tax.

Insurance service result

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

The insurance service result for the year was £310 million (2024: £193 million). The increase from 2024 was primarily due to a lower impact from onerous contracts in 2025 alongside a higher release of CSM and RA driven by growth in the in-force book along with more favourable experience variances.

Net financial result

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

The net financial result for the year was £370 million (2024: £499 million). The decrease from 2024 primarily reflects a less favourable impact from financial assumption changes, a lower benefit from asset optimisation actions on an IFRS basis, and an adverse impact from non-financial assumption changes, where the impact of favourable demographic and expense assumption changes measured on locked-in economics (and deferred to the CSM in the insurance service result) is larger than the impact measured on current economics, with the balance reported in the net financial result.

Other operating expenses

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

Other operating expenses for 2025 were £217 million (2024: £197 million). The increase is primarily due to growth in the business and higher investment dealing costs.

Other finance costs

Other finance costs primarily represent the interest on borrowings and lease finance costs. Other finance costs of £129 million (2024: £124 million) are slightly higher compared to 2024 due to PIC's issuance of a £500 million debt instrument in May 2024. There were no debt issuances or redemptions during 2025 and at 31 December 2025, PIC, the Group's regulated insurance company, had six (2024: six) subordinated debt securities in issue.

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

IFRS statement of financial position

Statement of financial position - summarised	2025 £m	2024 £m
Financial investments	54,793	50,932
Derivative and other financial assets	29,395	28,869
Reinsurance contract assets – BEL	1,861	411
Reinsurance contract assets – RA	1,162	978
Reinsurance contract assets – CSM	770	647
Insurance contract liabilities – BEL	(44,441)	(38,897)
Insurance contract liabilities – RA	(1,391)	(1,249)
Insurance contract liabilities – CSM	(4,738)	(4,157)
Derivative and other financial liabilities	(33,054)	(32,762)
Borrowings	(2,064)	(2,062)
Other net assets	1,735	1,602
Total equity	4,028	4,312
CSM net of reinsurance and tax	2,976	2,632
Exclude RT1 debt	(444)	(444)
Adjusted equity	6,560	6,500

Chief Financial Officer's review (continued)

Financial investments

At 31 December 2025, the Group had total financial investments of £54.8 billion (2024: £50.9 billion). The increase was primarily due to new business written and positive investment return, partly offset by payments made to our policyholders. Our investment strategy is to select assets that generate cash flows to match our future claims payments in both timing and amount. Therefore, the value of our assets and liabilities move broadly in tandem as factors such as interest and inflation rates change.

The credit quality of our investment portfolio is actively managed and remains strong, with over 99% of the value of our debt securities rated investment grade at 31 December 2025 (2024: 99%). Our cautious, sustainable investment strategy and our management of key risks, prioritises long-term stability to protect the pensions of our policyholders in the future. In the year, the Group did not experience any payment defaults in the portfolio and we continue to monitor our exposures carefully in the light of economic uncertainty.

Reinsurance contract assets

The increase in reinsurance contract assets during the year is driven by new Funded Re, completed in 2025. At 31 December 2025, 89% (2024: 82%) of the Group's gross longevity-related reserves had been reinsured. The Group has 14 (2024: 14) reinsurance counterparties, all of which have a credit rating of A+ or above.

Insurance contract liabilities

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

Total insurance contract liabilities have increased by £6.3 billion in the year, primarily driven by an increase in BEL due to new business written, partly offset by the release of cash flows.

Derivative and other financial assets and liabilities

The Group uses derivatives to hedge certain market risks associated with both new and existing business. Derivative exposures are collateralised which mitigates against the risk of a derivative counterparty default. Gross derivative assets and derivative liabilities remain broadly unchanged during the period.

Total equity

Total equity increased by £236 million before payment of dividends. At 31 December 2025, after dividends of £520 million, closing equity was £4.0 billion compared to 31 December 2024 (£4.3 billion). Adding back the CSM (net of reinsurance and tax) and excluding RT1 debt, Adjusted equity was £6.6 billion (2024: £6.5 billion).

Adjusted operating profit before tax

In addition to the statutory results presentation outlined above, the Group also chooses to analyse its IFRS results using an APM, AOPBT.

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

AOPBT for the year was £880 million (2024: £875 million). This increase was largely driven by higher reinsurance profits from prior year new business, largely offset by a reduced IFRS benefit from asset optimisation activity.

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

	2025 £m	2024 £m
Adjusted operating profit before tax		
Expected return from operations	571	574
New business and reinsurance profit	331	313
Underlying profit	902	887
Management actions and changes in valuation assumptions	282	359
Experience and other variances	(33)	(107)
Finance costs	(162)	(156)
Project and other costs	(109)	(108)
Adjusted operating profit before tax¹	880	875
Movement in CSM	(458)	(274)
Economic and other non-operating variances	(121)	(263)
Add back: RT1 coupon (treated as a dividend for statutory purposes)	33	33
Profit before tax	334	371

- AOPBT has been redefined to include the impact of investment-related management actions within Management actions and changes in valuation assumptions to better reflect the core operating performance of the business. The impacts had previously been reported within Economic and other non-operating variances. 2024 has been restated to reflect this change.

Chief Financial Officer's review (continued)

Expected return from operations

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

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

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

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

	2025	2024
One-year swap	4.5%	4.7%
Ten-year swap	4.1%	3.3%

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

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

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

Expected returns of £571 million were broadly in line with the prior year (2024: £574 million), primarily due to the return on higher surplus assets offset by a lower release of in-force margins.

New business and reinsurance profit

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

New business and reinsurance profit was £331 million (2024: £313 million). This increase was largely driven by higher reinsurance profits of £43 million (2024: £25 million), reflecting the reinsurance of business written in the prior year. New business profits remained stable during the year despite lower new business premiums of £6.8 billion (2024: £8.1 billion).

Management actions and changes in valuation assumptions

Management actions comprise actions taken by the business, including the optimisation of our in-force asset portfolio.

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

Management actions and changes in valuation assumptions in 2025 was £282 million (2024: £359 million). This reflects both a decrease in profit generated from management actions to optimise our in-force asset portfolio of £88 million (2024: £129 million), along with a lower benefit from changes in management assumptions compared to 2024.

In 2025, the benefit to AOPBT from assumption changes of £194 million mainly related to updates to our liquidity premium, expense and demographic assumptions to take account of recent experience.

Experience and other variances

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

Experience and other variances gave rise to a loss of £33 million in 2025 (2024: loss of £107 million). In 2025, the loss primarily related to the impact of differences between the expense assumptions used for pricing and reserving on new business. This is partly offset by a favourable assumption change reported in management actions and changes in valuation assumptions. Experience variances also benefited from favourable claims experience in 2025. In 2024, the loss related to the impact of not yet implementing reinsurance arrangements on business written late in the year.

Chief Financial Officer's review (continued)

Finance costs

Finance costs reported as part of AOPBT reflect interest costs on both the RT1 and Tier 2 debt and lease costs. The increase in finance costs in 2025 primarily reflects the additional Tier 2 debt raised in 2024.

Project and other costs

Project and other costs for the year were broadly in line with 2024 at £109 million (2024: £108 million), and include costs associated with business-wide initiatives.

Movement in CSM

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

During the year, the total increase in CSM was £458 million (2024: £274 million). The increase compared to 2024 is primarily due to the higher new business and new reinsurance profits along with the impact from non-financial assumption changes.

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

	2025 £m	2024 £m
Movement in CSM (net of reinsurance)		
CSM balance at 1 January	3,510	3,236
New business and new reinsurance CSM	330	250
Interest accretion on CSM	123	111
Amortisation of CSM	(227)	(202)
Other movements	232	115
Movement in CSM	458	274
CSM balance at 31 December	3,968	3,510

Economic and other non-operating variances

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

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

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

Economic and other non-operating variances resulted in a loss of £121 million in the year (2024: loss of £263 million), primarily driven by differences between actual and expected investment returns and changes in risk-free rates and inflation rates.

Capital and solvency

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

The results below are reported at the consolidated Group level.

Solvency ratio

At 31 December 2025, the solvency ratio remained high at 257% (31 December 2024: 237%), with eligible surplus funds of £4.9 billion (31 December 2024: £4.7 billion) in excess of the solvency capital requirement ("SCR"). The increase in the year was primarily due to the expected return from the in-force book, management actions to optimise our in-force asset portfolio and capital position alongside favourable changes in valuation assumptions. This is partly offset by the efficient deployment of capital to write £6.8 billion of new business in the year, the payment of dividends and financing and project costs. Own funds eligible to meet the SCR have been restricted by £412 million (2024: £184 million) due to eligibility restrictions on Tier 2 debt.

	2025 £m	2024 £m
PICG solvency (unaudited)		
Own funds eligible to meet SCR	7,935	8,142
Solvency capital requirements	(3,085)	(3,442)
Solvency surplus	4,850	4,700
Solvency ratio (%)	257%	237%
Matching Adjustment (%)	1.415%	1.648%

Surplus generation

	2025 £m	2024 £m
Surplus generation (unaudited)		
Opening surplus	4,700	4,331
Expected surplus generation from in-force book	729	709
New business and reinsurance	(118)	(357)
Management actions and other operating variances	512	392
Financing, project and other costs	(266)	(289)
Operating surplus generation¹	857	455
Economic and other non-operating variances	41	222
Total surplus generation	898	677
Change in Tier 2 debt, net of eligibility restrictions	(228)	92
Dividends	(520)	(400)
Closing surplus	4,850	4,700

- Operating surplus generation has been redefined to include the impact of investment-related management actions within Management actions and other variances to better reflect the core operating performance of the business. The impacts had previously been reported within Economic and other non-operating variances. 2024 has been restated to reflect this change.

Chief Financial Officer's review (continued)

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

Operating surplus generated in the year was £857 million (2024: £455 million). The increase from 2024 was primarily due to lower capital requirements of writing new business and surplus generated from management actions and other operating variances of £512 million (2024: £392 million).

Economic and other non-operating variances include the impacts of market movements and variances between the actual asset mix on new business compared to that which was assumed at pricing.

Total surplus generated amounted to £898 million, an increase on prior year (2024: £677 million). This was primarily due to the operating impacts outlined above, partially offset by less favourable impacts from economic variances. The payment of dividends in the year, along with an increase in ineligible capital further reduced surplus by £748 million in 2025.

Expected surplus generated from the in-force book

Expected surplus generation comprises the:

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

In 2025, the expected surplus generation of £729 million was higher than the prior year (2024: £709 million) primarily due to higher opening surplus assets.

New business and reinsurance

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

New business (net of reinsurance) consumed surplus of £118 million in 2025 (2024: £357 million), which was lower than last year due to lower new business volumes and higher surplus generation from the completion of longevity reinsurance deals on the in-force book of £124 million (2024: £41 million).

Management actions and other operating variances

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

Management actions and other operating variances generated a surplus of £512 million in the year (2024: £392 million). The 2025 result reflects the benefit from management actions to optimise our in-force asset portfolio and favourable changes in valuation assumptions and methodology. The 2024 result was largely driven by surplus generated from an update to the property and hedging risk SCR modules.

Financing, project and other costs

Financing, project and other costs reflect the interest, on an accruals basis, on RT1 and Tier 2 debt issues, coupled with shareholder expenses and project costs, which include business-wide initiatives and other regulatory costs. Financing costs were £161 million (2024: £159 million), whilst project and other costs of £105 million¹ decreased in 2025 (2024: £130 million) reflecting a lower spend on costs relating to 22 Ropemaker.

Economic and other non-operating variances

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

Economic and other non-operating variances generated a surplus of £41 million in 2025 (2024: surplus of £222 million). This was predominantly due to surplus generated from variances between the actual asset mix on new business compared to that assumed in pricing alongside movements in risk-free rates and foreign exchange rates. In 2024, surplus was generated from variances between the actual asset mix on new business compared to that assumed in pricing, alongside surplus generated from higher interest rates.

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

Chief Financial Officer's review (continued)

Equity own funds ("EOF")

	2025 £m	2024 £m
Equity own funds/Adjusted equity own funds		
Own funds eligible to meet SCR	7,935	8,142
Add back: Ineligible capital	412	184
Own funds available to meet SCR	8,347	8,326
Deduct notional RT1 and Tier 2 debt	(2,526)	(2,526)
Equity own funds	5,821	5,800
Add risk margin ("RM") net of TMTP	324	378
Adjusted equity own funds	6,145	6,178

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

EOF increased by £541 million before the payment of £520 million of dividends. This increase was primarily driven by profits emerging from the in-force book, alongside management actions to optimise our in-force asset portfolio. Additional contributions came from new business written in the year and favourable assumption changes. This was partly offset by the impact of finance and project costs, along with economic variances. After the payment of the dividends, EOF was £5.8 billion (2024: £5.8 billion).

Adjusted equity own funds ("AEOF") removes the impact of the risk margin and TMTP from EOF. At 31 December 2025, AEOF, before the payment of dividends, increased to £6.7 billion in line with the movement in EOF. After accounting for the impact of dividends, closing AEOF is £6.1 billion at 31 December 2025 (2024: £6.2 billion).

The value of the risk margin net of TMTP decreased to £324 million at 31 December 2025 (2024: £378 million) mainly reflecting the impact of movements in risk-free rates.

Key solvency sensitivities

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

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

PICG solvency ratio sensitivities (unaudited)	2025	2024
As reported	257%	237%
100 bps increase in interest rates ¹	19%	20%
100 bps reduction in interest rates ¹	(23%)	(23%)
100 bps increase in credit spreads ¹	11%	12%
100 bps reduction in credit spreads ¹	(13%)	(14%)
20% credit downgrade ²	(5%)	(5%)
5% reduction in base mortality ³	(4%)	(3%)

The impact on the solvency ratio to a 10% increase or decrease in the house price index is nil (2024: nil).

Notes

- For the interest rate and credit spread sensitivities, the continued strong solvency position results in a relatively high sensitivity in ratio terms. Sensitivities are impacted by the positioning of the hedging portfolio at the respective balance sheet dates.
- Shows an immediate full letter downgrade on 20% of all assets where the capital treatment depends on a credit rating. Downgraded assets are assumed to be immediately traded back to the original credit rating, so the impact is primarily a reduction in own funds from the loss of value on downgrade. The impact of the sensitivity depends on the market levels of spreads at the balance sheet date; the difference between spreads by letter has narrowed over the year, slightly reducing the sensitivity.
- Equivalent to a 0.4 year increase in life expectancy from 22.5 years to 22.9 years for a typical male aged 65.

Athora acquisition

On 3 July 2025, Athora Holding Ltd entered into an agreement to acquire PICG. Completion of the transaction is expected on or around 27 March 2026. Upon completion, PICG will become a wholly owned subsidiary of Athora, a leading pan-European savings and retirement services group with €76 billion of assets under management and administration at 30 June 2025. The acquisition does not impact the financial position reported at 31 December 2025, but upon completion will represent a significant change in the ownership structure of the Group.

Chief Financial Officer's review (continued)

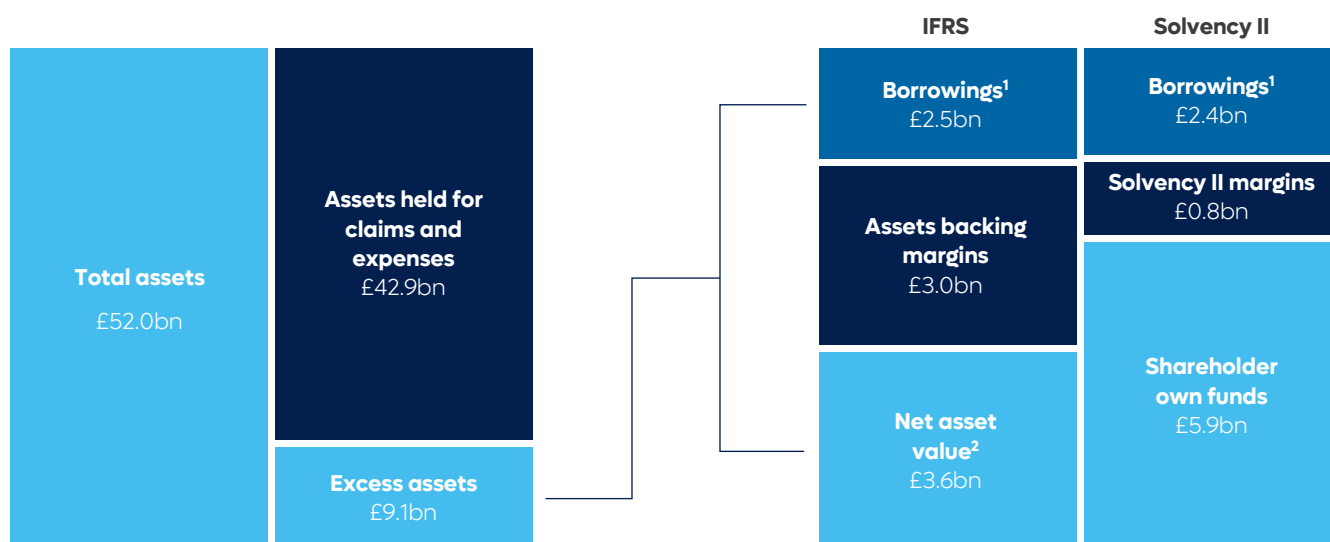
IFRS reconciliation to Solvency II (unaudited) – PICG

IFRS Reconciliation to Solvency II	2025 £m	2024 £m
IFRS net assets	4,028	4,312
Add amortised cost value of Tier 2 subordinated debt and related accrued interest	2,093	2,091
Differences in accrued interest on RT1 notes	(15)	(15)
Add back CSM (net of reinsurance)	3,968	3,510
Difference in BEL (net of reinsurance)	(811)	(745)
Removal of RA	229	271
Add risk margin net of TMTP	(324)	(378)
Differences in deferred tax	(790)	(703)
Differences in other asset values	(31)	(17)
Own funds - Available	8,347	8,326
Ineligible capital	(412)	(184)
Own funds - Eligible	7,935	8,142

Own funds - Available reconciliation to Equity Own Funds	2025 £m	2024 £m
Own funds - Available	8,347	8,326
Deduct notional RT1 and Tier 2 debt	(2,526)	(2,526)
Equity own funds	5,821	5,800

PICG Solvency II (unaudited) and IFRS excess assets

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



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

Risk management

Our approach to risk management.



Giles Fairhead
Chief Risk Officer

2025 was a dynamic year. Trade tariff uncertainty dominated the global economy, contributing to heightened geopolitical risk. Meanwhile, artificial intelligence continued to evolve rapidly. The pension risk transfer market remained competitive, with increased innovation and a challenging disconnect between new business pricing conditions and returns on investment assets.

During 2025, PIC's risk management approach continued to be central to maintaining our resilience. We continued to have a cautious approach to credit risk, and our hedging strategy, implemented in line with our Risk Appetite Framework, protected our balance sheet from financial market volatility. We also continued to reinsure the majority of our longevity risk. Solvency and liquidity remained well above the Board's risk appetite levels, providing a significant buffer against financial shocks.

The Risk function significantly increased in size over the year as it took on new responsibilities and kept pace with the continued growth of the business. Significant work was carried out to review and update key processes to ensure they remain appropriate for the scale of the business and to fully integrate new responsibilities into the risk process and ways of working.

In 2025, primary areas of attention included the embedding of an updated risk taxonomy and the production of a robust Recovery and Solvent Exit Plan, aligning with the standards set by the Prudential Regulation Authority. Oversight of financial risks was strengthened through improved management of risk, liquidity and hedging. Funded Reinsurance was closely scrutinised from a risk perspective as we continued its use on a tactical basis. We also invested in the development of our Investment Risk function, ensuring we kept pace with the continued growth of our asset portfolio.

The Risk function supported the rest of the business by delivering risk assessments for key projects and new business initiatives across the year.



Resilience in an evolving environment.

We continued to assist the Board in understanding the risks on new business transactions, including formal risk opinions. Decisions across the business were informed by market and operational stress tests to help ensure ongoing resilience.

In 2025, we further developed the Risk Appetite Framework, notably adding a number of Board-level risk appetites relating to the FCA's Consumer Duty. We enhanced our stress and scenario testing ("SST") capability, which allowed us to carry out more SST and use the outputs more extensively in our decision making.

Areas of operational focus included "important business services" in connection with the FCA's Operational Resilience requirements, and the management of risks relating to the development of artificial intelligence systems at PIC. There was also a focus on assurance for PIC's Investment Platform Programme (a large project relating to investment trading).

As we look ahead to 2026, we are prepared for another busy year. The sale of PIC to Athora, expected to close on or around 27 March 2026, will bring consideration of "Group risk" and require a number of integration workstreams, for example to align risk taxonomies and reporting timelines. Meanwhile, geopolitical risks look set to remain heightened, contributing to ongoing uncertainty and a greater likelihood of market volatility. In addition, a strong new business pipeline is anticipated, alongside operational risks such as cyber attacks and disruptions to supply chains.

Our Risk Management Framework and approach will continue to protect the business so that it grows safely in the evolving environment.

Giles Fairhead
Chief Risk Officer

Risk management (continued)

PIC's risk management approach

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

1
Solvency

2
Liquidity

3
Sustainability

4
Customer

5
Franchise Value

Please also see Managing our key risks section on **pages 83-89**

How we manage risk

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

- Risk Governance Framework, which outlines PIC's risk management responsibilities.
- Risk Policy Framework, which defines the standards for each risk area and describes how these standards are applied and monitored.
- Risk Processes, referring to the techniques and tools used to identify, assess, mitigate, monitor and report risk throughout PIC.
- Risk Appetite Framework, which establishes the level of risk the Board is prepared to accept and describes how performance against risk appetite will be measured.

The Risk Governance Framework

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

Broader risk governance

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

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

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

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

Board and Board Committees

Management Committees

First Line

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

Advisory and oversight activities

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

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

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

Oversight: providing independent oversight and challenge to the First Line in carrying out risk management.

Independent assurance over First- and Second-line activities

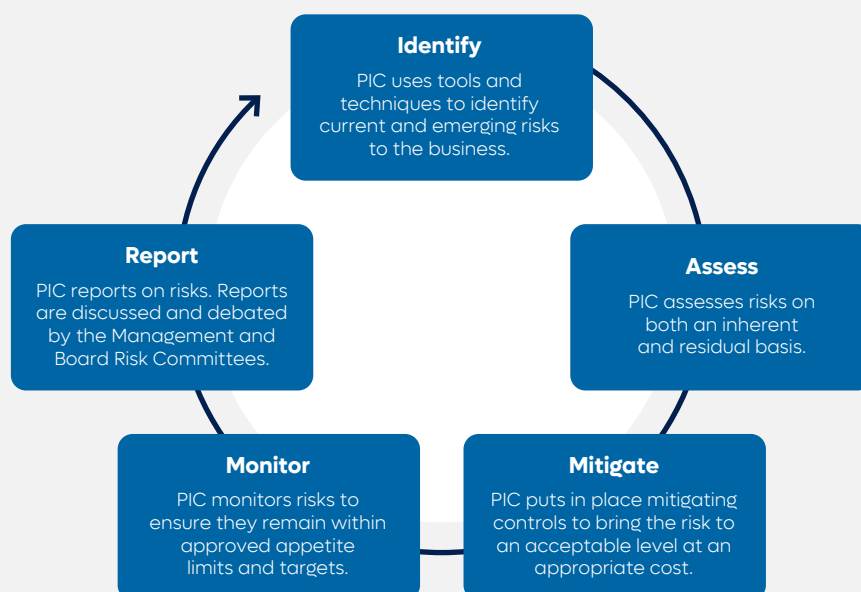
The purpose of the **Third Line** (Internal Audit) is to provide independent and objective assurance to the PIC Board of Directors.

Risk management (continued)

Risk management processes

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

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



Risk Appetite Framework

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

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

We actively **seek** risks that:

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

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

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

We seek to **limit** risks that:

- can be accepted as part of pursuing the business strategy but should only be taken on by PIC in specific, limited circumstances;
- fall within the ability of PIC's people, processes and technology to manage; however,
- are actively restricted by PIC using various methods, such as imposing caps on exposure and allowing them only under certain conditions.

We **minimise** risks which:

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

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

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

Consistent with other years, PIC reviewed its risk appetite statements and metrics in 2025, adding new metrics where appropriate. This resulted in improved coverage of quantifiable measures of risk, such as those related to project risk management, Company culture and new business.

Risk management (continued)

Managing our key risks

The key risks to the business, and its strategy for managing those risks, are set out below (to page 89). More details are also included in Note 18 to the financial statements.

Key

Increased

Decreased

Stable

To continue building a secure and sustainable business

To carry on leading as a responsible corporate citizen

To keep on driving long-term value growth

Key risk	Change in year	Outlook	How we are managing this
Market Risk			
Interest, inflation and exchange rates Risks associated with balance sheet volatility due to change in interest, inflation, or exchange rates. Risk preference Minimise Impacted strategic objectives 	The global economic outlook continued to be volatile in 2025, with uncertainty stemming from new trade tariffs and geopolitical tensions. There were also concerns regarding fiscal dynamics, for example in the US and UK. Nominal interest rates broadly edged downwards, with cautious rate cuts enacted in the US, UK and Eurozone. The main trend in exchange rates was a weakening of the US dollar relating to concerns regarding institutional independence. Change in year 	Although interest rates have reduced and inflation has generally declined since 2023, uncertainty remains regarding the future pace of interest rate reduction. In the US, the appointment of a new Federal Reserve Chair in May 2026 could potentially lead to accelerated rate cuts, although this is not the core scenario. Meanwhile, various geopolitical hotspots (e.g. Russia/Ukraine, Israel/Gaza, US/China) have potential to affect interest rates and exchange rates.	Exposure to interest rate, inflation and exchange rate risks are managed through our hedging strategy and framework. This includes monitoring market conditions and our exposures relative to our hedging benchmarks and risk appetite limits.
Liquidity Risk associated with meeting financial obligations on time due to lack of cash or liquid assets or increasing liquidity requirements. Risk preference Minimise Impacted strategic objectives 	Real interest rates continued to rise in 2025, which drove changes in the amount of liquid assets PIC needed to post to its derivative counterparties. However, PIC maintained strong liquidity throughout the year. PIC has established a dedicated project to deliver the new PRA liquidity reporting requirements due from 30 September 2026. Change in year 	In the UK, expectations around interest rates continue to be influenced by inflation trends and wider macro-economic factors. Although inflation has eased from earlier peaks, it remains above target and subject to ongoing volatility. Persistent services inflation means interest rate expectations continue to be shaped by inflation dynamics and wider macro-economic conditions.	PIC has a range of risk appetite metrics to ensure it can meet its financial obligations as they fall due, including: - The close matching of asset and liability cash flows - A cash buffer to cover at least three months of policyholder and expense payments - Sufficient liquid assets to cover the collateral postings in a 1-in-200 stress This results in a material portion of the portfolio being held in high-quality liquid assets. This strategy ensures that PIC can meet its financial obligations, including collateral postings, during extreme market movements and market-wide liquidity events. We undertake extensive market and liquidity risk stress testing, alongside frequent monitoring of the liquidity position against liquidity risk appetite. PIC also maintains a plan of management actions which can be taken to generate further liquidity if extreme events do occur.

Risk management (continued)

Key risk	Change in year	Outlook	How we are managing this
Market Risk			
Spread Potential for financial loss arising from changes in the spread between two financial instruments specifically gilts and credit assets. Risk preference Seek Impacted strategic objectives 	In 2025, global and UK credit spreads remained historically tight, with both investment-grade and high-yield bonds near record lows except for brief spikes from geopolitical or policy events. However, sectors facing tariffs and economic uncertainty saw some spread-widening, indicating the potential for underlying risks. The main risk identified is that a change in the relationship between pricing and the cost of assets - specifically, if spreads remain persistently tight - could make it more challenging to acquire long-dated, higher-yielding assets that meet return targets. Change in year New risk	Outlook for the spread environment in 2026 suggests a continuation of the themes observed in 2025, with credit spreads expected to remain relatively tight. Although spreads are expected to normalise in the future, there is uncertainty around when. Some modest widening, particularly in US investment grade and high yield markets, is anticipated as increased supply and late-cycle dynamics emerge. While there is potential for some widening should global uncertainty increase or policy shifts occur, the prevailing trend points towards resilience in both investment-grade and high-yield markets.	PIC manages spread risk using a disciplined and proactive approach that aligns with its investment strategy and risk management framework (including risk metrics developed to limit the risk of pricing in asset spread widening which may not be achievable). It uses risk appetite metrics to gauge underlying risk, monitoring it monthly and when new business is taken on. This approach helps ensure PIC does not become overexposed to credit spreads. Spread risk management is further supported by active portfolio management, continuous oversight, and strong governance.
Credit and Counterparty Risk			
Credit default and downgrade Risks associated with changes in the value, capital intensity, or rating of credit risk sensitive instruments resulting from downgrades or defaults. Risk preference Accept Impacted strategic objectives 	Credit default and downgrade risk arises from exposure to a diversified asset portfolio and may be driven by economic, sector-specific or issuer-level pressures, adversely affecting asset values and capital requirements. In 2025, proactive de-risking strengthened the portfolio's average credit rating, reducing overall credit risk and enhancing resilience to market volatility, with limited capital impact even under severe downgrade scenarios. Change in year 	Default and downgrade risks are expected to remain low in 2026, supported by strong corporate fundamentals and resilient earnings. While risks could increase following a severe macroeconomic shock or higher leverage, the overall credit outlook remains well contained. Looking ahead to 2026, inflation is expected to remain broadly stable at its currently reduced levels, although financial markets may continue to react to evolving inflationary and fiscal pressures. The portfolio is well-positioned to withstand potential adverse developments, with risk appetite metrics projected to remain comfortably within approved thresholds. Overall, the outlook is for continued resilience over the coming year, supported by the portfolio's robust positioning and risk management framework.	PIC manages credit default and downgrade risks through a disciplined, multi-layered approach focused on high-quality, investment-grade assets, strong due diligence and diversification across issuers, sectors and asset classes within its Risk Appetite Framework. Credit exposures are subject to ongoing monitoring, regular reviews and stress testing to identify and respond promptly to any deterioration and assess impacts on capital and solvency. PIC maintains a clearly defined risk appetite, accepting limited downgrade risk while keeping default tolerance low, supported by robust governance, committee oversight and adherence to ESG standards.

Risk management (continued)

Key risk	Change in year	Outlook	How we are managing this
Credit and Counterparty Risk			
Counterparty default and downgrade Risks associated with loss caused by the downgrade or default of counterparties, including banks, derivative counterparties and reinsurers. Risk preference Accept Impacted strategic objectives  	A ratings downgrade or failure of one of PIC's counterparties could result in financial loss and an increase in required capital, weakening PIC's balance sheet. PIC's counterparties are large multi-national banks and reinsurers who continue to demonstrate strong ratings profile, solid capital positioning and diverse business lines, with resilient balance sheets. Change in year 	Given the strong credit profile of PIC's counterparties and the robust assessments conducted during onboarding and on an ongoing basis, we expect their credit ratings to remain stable. While the macro-economic climate and geopolitical uncertainties present ongoing challenges, and catastrophe losses continue to pose a risk for some of PIC's reinsurance counterparties, the overall counterparty portfolio is well-positioned to withstand these pressures. Strong liquidity and capital buffers alongside robust collateral arrangements will help absorb potential losses, supporting continued resilience within the portfolio.	PIC has a robust Risk Appetite Framework for counterparties, which restricts both individual and aggregate exposures. This framework is designed to minimise potential losses arising from defaults or credit downgrades. We monitor the strength of our counterparties on a daily basis, and can limit or reduce exposure if their risk profile increases. Approval through PIC's governance committees is required before we transact with any new banking or reinsurance counterparty. We also hold capital and have robust collateral arrangements to protect the business against counterparty defaults.
Operational Risk			
Processes Risks associated with the adequacy of the design and implementation of PIC's business processes and controls. Risk preference Minimise Impacted strategic objectives  	This risk relates to PIC's internal processes and controls failing or not scaling effectively as the business grows in line with our strategic plan. Throughout 2025, we made significant upgrades to our control environment, and these changes are already showing promising results. As we complete these enhancements, the overall level of risk will continue to decrease. This progress will enable us to continue managing business process risks effectively as our Company grows. During 2025, we enhanced our focus on our key end-to-end processes, ensuring risks and compensating controls were identified, assessed and operating as designed. Actions are currently underway to reduce the number of manual controls in place through several change projects. Change in year 	Whilst PIC continues to take on larger, more complex deals, this risk will continue to be appropriately managed due to the existing control framework and the implementation of continuous control enhancements. We have continued to improve our operational resilience processes, having recently refreshed our Recovery and Resolution plan. Further enhancements to our risk appetite and supporting key risk indicators are in train to allow us to continue to provide focused oversight of our risk profile.	As part of our Risk and Control Self Assessment process, we actively monitor the design, operation, and effectiveness of controls in place, mitigating risks associated with key processes and making enhancements where necessary. We have successfully identified our Important Business Services ("IBS") and the key processes that underpin them, ensuring a comprehensive understanding of our operational priorities. Each of these processes is subject to dedicated executive ownership, providing clear accountability and oversight from end to end. In addition, robust management information ("MI") and regular reporting mechanisms are in place to monitor performance and support informed decision making. This approach enhances our ability to maintain service resilience and respond effectively to emerging risks.

Key



Risk management (continued)

Key risk	Change in year	Outlook	How we are managing this
Operational Risk			
People Risks associated with a failure to attract, train and retain knowledgeable and skilled staff. Risk preference Minimise Impacted strategic objectives 	The employee market over 2025 remained competitive amid growing deal flow, with new BPA market entrants also vying for talent. People risk was stable for most of the year, supported by our strategy and growth opportunities, which continue to make PIC an attractive place to work in the life insurance market. We do continue to face specific challenges in sourcing appropriate candidates with niche skills and/or product knowledge, but generally across PIC our ability to attract and retain staff remains strong. We recognise that people risk has increased following the Athora announcement and the retirement of the CEO. However, there were no concerning trends during 2025, with strong acceptance rates of roles offered externally and stable attrition levels of PIC employees—both these metrics and others that PIC monitor have remained in line with typical levels. The annual employee engagement survey results have also remained strong. Change in year 	The recruitment market is expected to continue to be challenging, as the sector is experiencing significant growth. The anticipated change in Company ownership and the change in Chief Executive Officer introduces a degree of uncertainty for both current employees and prospective job candidates.	The PIC team is focused on strategic workforce planning to ensure we remain equipped for the future. We carefully monitor staff turnover and continue to focus on and invest in staff development and wellbeing. We are actively monitoring people risk following the announcement of the Athora acquisition and during the transition to a new permanent CEO. Having a clear purpose, a Company culture aligned to the purpose, which we actively monitor, and reviewing the market to ensure our remuneration packages are competitive, also help to manage this risk.
Third party and outsourcing Risks associated with the outsourcing of key business activities to third parties. Risk preference Minimise Impacted strategic objectives 	PIC relies on third parties to deliver a portion of its critical operations. These third parties are essential for various functions, including policy administration, investment management, and IT services. As PIC continues to grow, the number of suppliers we work with has increased. This expansion brings greater responsibility, since any failures by third parties could result in financial losses, harm to policyholders, regulatory breaches or reputational damage. To address these risks, PIC has strengthened its oversight and monitoring frameworks, maintaining a strong commitment to customer protection and operational efficiency. The third party and outsourcing operating model continues to be enhanced in content and scope, with comprehensive training provided in the ownership and management of third-party relationships. Change in year 	Third parties continue to be important to the nature and delivery of PIC's strategy, policyholder solutions and other related activities, particularly as our business grows. The future planned enhancements to our operational processes will further improve our ability to effectively manage our risk profile and deliver services to our policyholders.	We closely monitor performance of existing third-party relationships and actively ensure that alternative supplier options are always identified should the need to move to another supplier occur. We continue to run scenario assessments to ensure our operational resilience and safety and soundness, acting where we identify any gaps in processes. PIC uses a comprehensive framework to manage outsourced service providers, including a rating system that matches oversight to each provider's risk level. Higher-risk partners get more scrutiny, while lower-risk ones are managed appropriately. PIC also has clear exit strategies for key outsourcers and robust business continuity plans to ensure operations continue if services are disrupted.

Risk management (continued)

Key risk	Change in year	Outlook	How we are managing this
Operational Risk			
Information security and cyber Risk arising from unauthorised access to PIC's information systems and data (including sensitive data). Risk preference Minimise Impacted strategic objectives 	A cyber attack on PIC's information systems and data (or our third parties) could result in financial loss, operational disruption and/or reputational damage. The external cyber threat landscape continues to pose a significant risk, driven by geopolitical shifts and access to better technology. This has influenced the bad threat actors' approach to cyber attacks, especially with communications and social media. As stated by the National Cyber Security Centre's annual review, "Many nation-state threat actors and cyber criminals are already using artificial intelligence ("AI") to increase the volume and heighten the impact of cyber attacks." This continues to be experienced by the information security industry, in particular through the use of higher-quality phishing emails and employee imitation. Change in year 	Looking ahead, our cyber risk programme will continue to evolve in response to the ever-changing external cyber security landscape. As PIC grows and further embraces cloud services and third-party partnerships, we anticipate ongoing maturation of our Information security and cyber controls. This proactive approach should help to reduce the risk of unauthorised access to PIC's infrastructure, and we expect the information security and cyber risk profile to remain at similar levels over the coming year. Whilst we have improved our control environment, developments in the external environment will lead to more rapid progression of activity as AI is increasingly used as a tool to carry out cyber attacks.	We are ISO 27001:2022 certified, the globally recognised standard for information security management. This demonstrates our commitment to strong controls and oversight in relation to information security. We have a range of cyber risk appetite metrics used to measure and monitor the level of risk we run on an ongoing basis. We maintain a robust IT environment to ensure protection of our data and security of our systems and we assess potential impact of risk from our third parties. The IT environment undergoes regular testing both internally by the Information Security and Security Operations teams, and externally by trusted security providers. This testing ensures the effectiveness of security controls, including our perimeter through penetration testing and incident response capability.
Regulatory Risk associated with the regulatory environment in which PIC operates, including the ability of PIC to keep pace with changes in these environments. Risk preference Minimise Impacted strategic objectives 	PIC's regulators take an active role in protecting policyholders and ensuring that financial markets are safe and secure. Regulatory changes may influence PIC's value proposition or business model. Therefore, we note that while the risks associated with the regulatory environment have been stable, there have been areas that have evolved throughout the year. Change in year 	We expect regulatory risk to remain stable over the next 12 months, with continued scrutiny over key areas of focus, namely funded reinsurance, implementation of liquidity risk reporting, as well as ongoing regulatory developments and the potential for continued legislative reform.	We have a clear framework and approach to managing regulatory change, including risk appetites to monitor regulatory risk as well as a proactive relationship with the regulators and policymakers.

Key



Risk management (continued)

Key risk	Change in year	Outlook	How we are managing this
Insurance Risk			
Longevity Risks associated with pension payments that PIC makes being greater than expected due to policyholders living longer than assumed. Risk preference Limit Impacted strategic objectives 	If PIC's policyholders live longer than was originally assumed when pricing new business, PIC's liabilities will increase. Mortality rates during 2024 broadly returned to the levels seen before the pandemic, and early signs for 2025 show a continuation of these more stable patterns. While the direct impact of Covid-19 has now largely subsided, some indirect effects are still visible across the population, contributing to ongoing uncertainty in overall life expectancy trends. PIC has reflected this evolving picture in its assessment of longevity risk across the business. Change in year 	Uncertainty remains around how life expectancy will develop in the years ahead. People are generally living longer, and advances in medical treatment, including therapies for obesity and age-related conditions, may lead to further improvements over time. PIC continues to monitor developments in population health, healthcare access and medical innovation, updating its view of longevity as appropriate.	PIC typically transfers longevity risk through reinsurance contracts, significantly reducing its exposure if policyholders outlive expectations, as increased liabilities are shared with reinsurers. PIC also maintains strong capital requirements to safeguard the business against unexpected increases in longevity. Additionally, PIC regularly reviews life expectancy trends to keep its assumptions up to date, including monitoring the Continuous Mortality Investigation ("CMI"). This year, PIC adopted the latest CMI_2024 model for mortality projections, strengthening its longevity modelling.
Conduct Risk			
Policyholder interactions risk The risk that at any point in the policyholder lifecycle, PIC's actions and/or behaviours (either as individuals or as a company) could lead to poor customer outcomes which is inconsistent with the Consumer Duty. This could lead to regulatory scrutiny, reputational damage, and financial losses. Risk preference Minimise Impacted strategic objectives 	Securing good outcomes for retail customers continues to be the core area of regulatory focus under the Consumer Duty. This risk could materialise by PIC failing to pay policyholders correctly or on time, or communications to policyholders being difficult to understand, or through not providing our customers with sufficient support. There is also a risk of vulnerable customers not receiving as good an outcome as other customers. Change in year 	The outlook for this risk is stable, and is likely to remain a key area of regulatory focus.	We have extensive metrics and risk limits in place to monitor this risk. Our Customer Committee provides oversight and advice to the Boards in relation to our Consumer Duty requirements. We equip our staff with tools and training to help them service our customers' needs, including those customers with characteristics of vulnerability. Also, we continue to refresh customer communications with new layouts and tone of voice to make our letters easier to read and understand.

Risk management (continued)

Key risk	Change in year	Outlook	How we are managing this
Franchise Value Risk			
Climate change The potential for adverse consequences arising from the impacts of climate change, including physical risks arising from climate-driven events, and transitional risks arising from the process of adjustment to a low-carbon economy. Risk preference Minimise Impacted strategic objectives  	Climate change continues to be an area of focus for the public, insurers and regulators alike. Climate change may reduce the value of PIC's assets, increase the cost of capital, affect new business volumes, cause operational disruption and have a negative reputational impact. Shifts in government climate policies - such as recent reversals or strengthened commitments seen in 2025 - may also heighten the risk of stranded assets that PIC may be unable to sell. Change in year 	The focus on climate change and related sustainability risk will remain high given the continued focus from key stakeholders in the UK. Climate change is likely to lead to increasingly acute weather catastrophes. Longer-term changes to natural resource availability and societal changes could lead to potential reductions in the value and availability of assets PIC invests in (e.g. property and infrastructure), and disruption to PIC's operations and counterparties. Increased weather catastrophes would also lead to increased fixed costs for PIC on the built assets it manages (e.g. cost of insurance).	We continue to monitor the risk appetite metrics set for climate change risk, helping identify PIC's performance against published Net Zero targets. We continue to perform stress and scenario testing, focusing on specific sector transition pathways to identify the risks to which we are exposed. We also continue to monitor regulatory and policy developments in the UK and the key markets in which we operate to ensure we remain compliant.

Key

 Increased

 Decreased

 Stable

 To continue building a secure and sustainable business

 To carry on leading as a responsible corporate citizen

 To keep on driving long-term value growth

Longer-term viability statement

1. The assessment process

The longer-term viability process is primarily carried out through strategic and financial planning. The Group's strategy (see pages 16 and 17) and year-on-year activities, combined with a focus on material factors which may impact the Group in the foreseeable future, are central to the assessment that the Group can be reasonably expected to continue in operation and meet its liabilities as they fall due. The Group's business plan is prepared annually and covers a five-year period on a rolling basis. The plan covers projected performance and related profitability, cash and value generation and the capital position of the Group over the period. The plan is tested against the risk appetites set for the Group by the Board. This includes a number of stresses and scenarios to test the Group's resilience and capacity to respond to relevant stresses and shock events, which may potentially impact the Group. The Group also evaluates various management actions designed to maintain and restore key capital and liquidity metrics to within the Group's approved risk appetite over the planning period and takes into account the cost of these actions to the Group's Solvency Surplus and their potential impact on the Group's IFRS profits.

2. The assessment period

The Directors have assessed the viability of the Group by reference to the five-year planning period to December 2030, which has been chosen as appropriate because it reflects the Group's business model and the dynamics of the pension risk transfer market as covered by the Group's five-year business plan.

3. Assessment of viability

In considering the viability of the Group, the Directors have assessed the key factors relating to the Group's business model, strategy and the stress and scenario tests carried out. This has included, but not been limited to, consideration of the uncertainty surrounding the macro-economic environment and its potential impact on the Group, as well as the potential impact of climate change related risks. The Directors have also carried out an assessment with reference to the Group's business plan which contained financial forecasts from December 2025 to December 2030. The Directors discussed the business strategy, market opportunity and potential future strategic objectives. They considered the business plan which was supported by the assessment of key risks to the successful execution of the business plan. The Directors also considered the Group's principal risks and how these are managed, as detailed on pages 83 to 89.

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

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

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

As well as risks arising from the macro-economic environment, a number of operational scenarios were performed during 2025. These included "failure to correctly manage a large deal" and "malicious employee actions". The Directors have also assessed the proposed purchase of the Group by Athora, which received regulatory approval on 6 March 2026 and is expected to complete on or around 27 March 2026. While the Directors cannot be certain of the actions of Athora post-completion, it is not expected that there will be any adverse impact on the ongoing prospects and viability of the Group within the timeframe under consideration.

4. Viability statement

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



On behalf of the Board

David Weymouth
Chairman
22 Ropemaker Street,
London EC2Y 9AR

17 March 2026

Non-Financial and Sustainability Information Statement

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

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

Reporting requirement	Key policies and standards that govern our approach	Additional information in this report and page reference
Mandatory climate-related financial disclosures		Climate-related financial disclosures (p92-93)
Environmental matters	- Climate Report (TCFD), Basis of Reporting report, Transition Plan - Our Journey to Net Zero - Sustainability Policy - Stewardship Policy - Sustainability Report	- Sustainability (p61-70) - Greenhouse gas emissions (Directors' Report) (p137) - Stewardship and engagement (p68)
Employees	- Health and Safety Procedure - HR-related policies across a range of areas including hybrid working, flexible working, recruitment, remuneration, absences, diversity and inclusion, family-friendly leave, parental leave, capability and redundancy	Our people and culture (p56-60)
Social matters	- Stewardship Policy - Complaints Handling Policy - Customer Outcomes Policy - Customer and Community Policy	- Sustainability (p61-70) - Stakeholder engagement (p46-49) - Customer Care (p26-31) - Strategy in action case studies (p20-25)
Respect for human rights	- Anti-Slavery and Human Trafficking Policy - Diversity and Inclusion Policy - Modern Slavery Statement (on website)	- Stakeholder engagement (p46-49) - Governance report (Modern Slavery) (p104) - Governance report (Anti-bribery and Anti-corruption and Modern Slavery Act 2015) (p104-105)
Anti-corruption and anti-bribery	- Anti-Bribery and Anti-Corruption Policy - Anti-Facilitation of Tax Evasion Policy - Anti-Fraud Policy - Conduct Risk Policy - Conflicts of Interest Policy - Whistleblowing Policy	Governance report (Anti-bribery and Anti-corruption and Modern Slavery Act 2015) (p104-105)
Description of the business model	Business strategy	
Description of principal risks	- Risk Management Framework - Extensive suite of risk policies	- Risk management (p80-89) - Strategic objectives (p16-17)
Description of non-financial KPIs		Key performance indicators (p18-19)

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

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

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

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

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

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

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

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

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

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

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

PIC's Enterprise Risk Management ("ERM") Framework establishes a consistent approach to identifying, managing and reporting all risks. Climate change is included in this framework as a risk to PIC's strategic objectives. Further information can be found on pages 80 to 89.

PIC analyses climate risk through the following risk management processes:

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

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

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

- the principal climate-related risks and opportunities arising in connection with the company's operations; and**
- the time periods by reference to which those risks and opportunities are assessed**

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

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

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

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

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

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

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

Climate scenario analysis is used to assess the potential long-term impacts of climate-related risks on the Group's investments and business. The portfolio-wide, top-down analysis completed in 2023 remains relevant as an overall assessment of the Group's exposure to different climate scenarios, reflecting the stability of the business model and the Group's cautious approach to sectors with elevated climate risk.

During 2025, further work was undertaken to develop more detailed climate scenarios for sectors where transition risk is considered to be material and where the Group has a material exposure. These included best estimate, slow transition and fast transition scenarios, and were informed by a combination of internal analysis and external research. The analysis was used to assess potential impacts on the credit quality of relevant sectors and individuals issuers within the portfolio.

The results remain consistent with conclusions from prior years and continue to indicate that the Group's investment approach is appropriate in managing climate transition risk.

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

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

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

Information on metrics that support us in embedding climate change considerations into our investment decision-making process and managing the impact of climate risk can be found on page 89 and in our Climate Report (TCFD).

The Strategic Report on pages 1 to 93 was approved by the Board and signed on its behalf by:



David Weymouth
Chairman
22 Ropemaker Street,
London EC2Y 9AR

17 March 2026

Corporate Governance.

- 95 Chairman's introduction to Corporate Governance
- 96 Board of Directors
- 102 Corporate Governance report
- 116 Audit Committee report
- 120 Investment and Origination Committee report
- 122 Nomination Committee report
- 125 Remuneration Committee report
- 130 Board Risk Committee report
- 133 Directors' report
- 138 Statement of Directors' responsibilities



Chairman's introduction to Corporate Governance



David Weymouth
Chairman

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

A robust governance framework combined with close Board oversight of the business ensures that the long-term success of the Group is based on the effective identification and management of the Group's risks. The following pages explain our approach to applying the provisions of the UK Corporate Governance Code 2024 (the "Code") and we explain how we discharge our duties under s.172 of the Companies Act 2006 on pages 50 to 55, including the responsibilities we have to our policyholders and other stakeholders. The report includes Committee reports from the Audit, Investment and Origination, Nomination, Remuneration, and Board Risk Committees.

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

I have also taken time to reflect on the work of the Board as a whole and am comforted by the Board's wealth of knowledge and experience, and also by the challenge and support it provides to management.

2025 Board Committee performance review

In light of the impending changes to the Boards following completion of the acquisition by Athora, it was decided that a full Board evaluation would take place in 2026, with the focus for 2025 being on the Board Committees. The review showed that the Board's Committees continued to be effective and committed, had the right balance of skills and experience, with clearly defined roles, and were well informed and therefore able to make high-quality decisions and recommendations. More detail of the review can be found on page 112.

Areas of focus for 2025

Key areas of focus for the Board in 2025 were the acquisition of the Group by Athora, for which regulatory approval was received on 6 March 2026, with formal close expected on or around 27 March 2026, and the retirement of Tracy Blackwell as Chief Executive Officer at the end of 2025. Tracy will be succeeded as Chief Executive Officer by Mike Eakins, subject to regulatory approval. Dom Veney, our Chief Financial Officer, was appointed as the interim Chief Executive Officer effective 1 January 2026 and will continue in that role until Mike starts, with Rachel Ware, our Financial Controller taking on the role of interim Chief Financial Officer.

Other key areas of focus for the Board in 2025 were:

- The approval of the full scheme buyout of the Rolls-Royce UK Pension Fund.
- The payment of PICG's final dividend for the year ended 31 December 2024 of £160 million, which equated to 12 pence per ordinary share, along with the payment of a special dividend of £200 million, which equated to 15 pence per ordinary share, both paid in May 2025.
- The payment of an interim dividend of £160 million, which equated to 12 pence per ordinary share, paid in September 2025.
- The continued monitoring of progress of the Investment Platform Programme ("IPP").

Further information of the Board's key considerations for the payment of dividends can be found on page 55.

The Boards and changes to the Boards

In 2025, we said goodbye to our Chief Executive Officer, Tracy Blackwell, who stepped down from the Boards and left the business after nearly 20 years. Tracy leaves the business in a strong position as it enters the next phase of its growth, and I and the Boards would like to thank her for her leadership of the Company.

In 2025, we also said goodbye to Arno Kitts, who retired from the Boards after nine years. Upon completion of the acquisition by Athora, our current shareholder nominated Directors will leave, and representatives of Athora will join the PIC and PICG Boards, and Sally Bridgeland, Julia Goh, and Stuart King, all of whom are independent, will also leave. I would like to thank all of those Directors for their very significant contribution to the Boards over the years.

Despite the changes, I and several other INEDs will remain on the Boards, providing continuity in governance and oversight.

As at the date of this report, PICG's Board is made up of 13 Directors, seven of whom are independent, five are appointed by the main shareholders, and one is the interim Chief Executive Officer. PIC's Board consists of 13 Directors, eight of whom are independent, four are appointed by the main shareholders, and one is the interim Chief Executive Officer.

Board changes during the period are:

- Tracey Graham appointed as a Director of PICG and PIC on 1 January 2025.
- Martin Pike appointed as a Director of PIC on 1 January 2025 and of PICG on 1 July 2025.
- Arno Kitts stepped down from the PICG and PIC Boards on 30 June 2025.
- Tracy Blackwell stepped down from the PICG and PIC Boards on 31 December 2025.
- Dom Veney appointed as a Director of PICG on 1 January 2026.

The biographies of our Directors are set out on pages 96 to 101 of this report. Both Boards have an appropriate balance between independent and shareholder nominated Directors.

David Weymouth
Chairman
17 March 2026

Board of Directors



David Weymouth

PICG & PIC Director
Chairman of the Board



Date of appointment

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

Background and career

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

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

Areas of expertise

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

Current external roles

David is the Chair of One Savings Bank Group PLC and Chair of the Risk Committee of Marsh UK.



Dom Veney

PICG & PIC Director
Interim Chief Executive Officer

Date of appointment

Dom was appointed to the PIC Board as an Executive Director and Chief Financial Officer in December 2021, he was appointed to the PICG Board and as Interim Chief Executive Officer in January 2026.

Background and career

Dom is the Interim Chief Executive Officer and a Director of Pension Insurance Corporation plc, as well as Interim Chief Executive Officer and a Director of PIC's parent company, Pension Insurance Corporation Group Limited.

Dom originally joined PIC as Chief Actuary in 2017, was appointed as Chief Financial Officer in 2021 and held that position until January 2026 when he was appointed Interim Chief Executive Officer. Prior to his tenure at PIC, Dom has spent more than 15 years at PwC, where he worked with many leading life insurers and led several regulatory projects, including the global coordination of PwC's response to the introduction of IFRS 17. Dom is a Fellow of the Institute and Faculty of Actuaries and holds a degree in Mathematics from the University of Warwick.

Areas of expertise

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



Jake Blair

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



Date of appointment

Jake was appointed to the Board in June 2021.

Background and career

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

Jake holds a BA from Washington & Lee University and an MBA from Columbia Business School.

Areas of expertise

Jake has over 20 years' experience in the financial services industry, in particular in investment management with an in-depth focus on credit.

Current external roles

Jake is a Managing Director at HPS Investment Partners and represents HPS as a board member of Acra Lending Holdings, Spectrum Automotive Holdings, Canaccord Genuity Wealth Management UK, Nucleus Financial Platforms Limited and Lido Advisors LLC.

Board of Directors (continued)



Sally Bridgeland

PIC Director

Independent Non-Executive Director



Date of appointment

Sally was appointed to the PIC Board in January 2021.

Background and career

Sally has a portfolio of non-executive and advisory roles. Her previous executive roles include Chief Executive Officer of the BP Pension Fund and extensive pensions and investment consulting experience. She has served as a Trustee Director of Lloyds Banking Group Pension Trustee Limited, where she stepped down in 2020, and as Chair of Local Pensions Partnership Investments Limited and Non-Executive Director of Local Pensions Partnership Limited, where she stepped down in 2023. Sally was Chair and Non-Executive Director of Impax Asset Management Group plc until July 2024. Sally has held Ministerial appointments for the Nuclear Liabilities Fund and NEST Corporation. Sally is a Fellow of the Institute and Faculty of Actuaries and in 2020 she received the Award of Honour from the Worshipful Company of Actuaries. She was winner of the 2023 Non-Executive Director Awards for the FTSE AIM category.

Areas of expertise

Sally is an actuary and has nearly 40 years' experience in the UK pensions, insurance and investment industry, gained from executive and non-executive roles.

Current external roles

Sally is the Chair of Nest Invest Limited, Chair of home care provider BelleVie, Chair of Development Bank of Wales plc, and Non-Executive Director of Intact Insurance UK Limited. Sally is an Honorary Group Captain in 601 Squadron of the Royal Auxiliary Air Force.



Judith Eden

PICG & PIC Director

Independent Non-Executive Director



Date of appointment

Judith was appointed to the Board in August 2019.

Background and career

Judith has a portfolio of non-executive roles. Most of Judith's previous corporate career was spent at Morgan Stanley in operational, financial and strategic management roles in both the Institutional Securities and Investment Management divisions. She was a director of Morgan Stanley Investment Management Ltd ("MSIM"), and Chief Executive Officer of MSIM's international cross-border fund management company. Since 2015, Judith has focused on her non-executive career. She has previously served as Senior Independent Director and Audit Committee Chair of ICBC Standard Bank plc.

Areas of expertise

Judith is a chartered accountant (Fellow ICAEW) and has 35 years' experience in banking, asset management and insurance gained from executive and non-executive roles. She holds a Corporate Governance Certificate from INSEAD.

Current external roles

Judith is a Non-Executive Director of Invesco Asset Management Ltd. She is also Audit Committee Chair at TSB Banking Group plc and Non-Executive Director at Merrill Lynch International.



Tim Gallico

PICG Director

Non-Executive Director
Shareholder nominated by CVC

Date of appointment

Tim was appointed to the Board in August 2020.

Background and career

Tim is a Partner at CVC Capital Partners, based in London and is focused on the Strategic Opportunities investment platform. Prior to joining CVC in 2005, he worked for Bain & Co. Tim holds a degree in Social and Political Sciences and Management Studies from the University of Cambridge.

Areas of expertise

Tim has nearly 20 years' experience in the investment industry as well as experience as a director of both regulated and unregulated companies.

Current external roles

Tim represents CVC and currently sits on the boards of entities in the following groups: Asplundh Tree Expert LLC, the RAC Group, Riverstone International and Dale Holdings Limited. He also acts as a Trustee of United World Schools.

Board of Directors (continued)



Julia Goh

PICG & PIC Director

Independent Non-Executive Director



Date of appointment

Julia was appointed to the Board in January 2021.

Background and career

Julia has broad-based financial services experience in London. She was a Managing Director at Barclays Investment Bank in various senior front-office positions including as Chief Operating Officer of Global Markets, and was also Chair of the Barclays Women's Initiative Network. Prior to that, she was a Managing Director and the Global Head of Prime Services Risk at Credit Suisse, where she was also Chair of the Equities Diversity Advisory Council. Julia started her Markets career at Nomura International as a risk manager. She is a fellow of the ICAEW (alumnus PwC) and has a Certificate in Company Direction from the Institute of Directors. She holds a BSc from the London School of Economics and Political Science and an MSc from Bayes Business School.

Areas of expertise

Julia has significant senior front-office experience with specific expertise in Markets (Sales & Trading), hedge funds, structured products, risk management and internal controls, especially at times of business transformations and change.

Current external roles

Julia is an Independent Non-Executive Director and Chair of the Audit Committee of ICBC Standard Bank plc, Non-Executive Director and Chair of Audit and Risk Committee Chair of Schroder AsiaPacific Fund plc, and Non-Executive Director of The Mercantile Investment Trust plc. She is also a Senior Advisor at Phoenix Merchant Partners and a Director of the charity Children of the Mekong.



Tracey Graham

PICG & PIC Director

Independent Non-Executive Director and Senior Independent Director



Date of appointment

Tracey was appointed to the Board in January 2025.

Background and career

Tracey Graham is an experienced senior non-executive director having served on several listed companies, private, and mutual boards across a range of sectors. She has extensive experience as a Senior Independent Director and Remuneration Committee Chair.

Her final executive role was as Chief Executive Officer of Talaris Limited, an international cash management business, where she led an MBO backed by the Carlyle Group. Before that she held a number of senior roles in De La Rue plc, HSBC and at AXA Insurance.

Tracey served as Senior Independent Director on the Boards of DiscoverIE plc and Istock plc. She also served as Non-Executive Director and Remuneration Committee chair on the Boards of Royal London Mutual Insurance Society and Dialight plc. Tracey also chaired the LINK Consumer Council and was a Non-Executive Director of the LINK Scheme until December 2024.

Areas of expertise

Tracey brings significant commercial and operational experience as a former CEO, together with extensive Board experience having served on Boards across a range of sectors including financial services and regulated businesses.

Current external roles

Tracey is the Senior Independent Director of Nationwide Building Society and Non-Executive Director and Chair Remuneration Committee of Close Brothers plc.



Stuart King

PICG & PIC Director

Independent Non-Executive Director



Date of appointment

Stuart was appointed to the Board in January 2019.

Background and career

Stuart previously worked at the Bank of England before moving to become Head of UK Banks Regulation and then Head of Major Insurance Groups Regulation at the Financial Services Authority ("FSA") (predecessor of the Financial Conduct Authority). After his time at the FSA, Stuart became Managing Director at advisory firm Promontory Financial Group and after that Group Compliance Director at Aviva plc.

Areas of expertise

Stuart has over 25 years' experience working in the UK financial regulation industry, as both regulator and at regulated firms, and led the enhanced supervision approach of major insurance groups following the financial crisis in 2007.

Current external roles

Stuart is a Commissioner of the Guernsey Financial Services Commission. He is a trustee to a number of charities working in the areas of education and mental health.

Board of Directors (continued)



Josua Malherbe

PICG Director

Non-Executive Director
Shareholder nominated by Reinet



Date of appointment

Josua was appointed to the Board in December 2015.

Background and career

Josua qualified as a chartered accountant in South Africa in 1984, having worked at a predecessor firm to PwC. He became Chief Executive Officer of VenFin Limited in 2000 until 2006 when he held the position of Deputy Chairman. VenFin Limited was acquired by Remgro Limited and Josua now serves as a director of Remgro. He holds a BCom LLB from Stellenbosch University and a CTA from the University of Cape Town.

Areas of expertise

Josua has over 30 years' experience in corporate finance and has had executive experience at companies since 1993.

Current external roles

Josua is a director of Compagnie Financière Richemont S.A. and is a director at Remgro Limited and Reinet Investments S.C.A. and various Leopard Creek entities.



Andy Moss

PICG & PIC Director

Independent Non-Executive Director



Date of appointment

Andy was appointed to the PIC Board in September 2023 and appointed to the PICG Board in January 2024.

Background and career

Andy has worked in the life insurance sector for over 25 years and in the wider insurance market for 35 years. He was Chair of the Phoenix Assurance General Insurance (PAGI) Board and also sat as a NED on the board of Sun Life Limited, Opal Re Bermuda, and Standard Life Unit Trust Managers. Andy has held a number of other board roles over the last 20 years as both an executive and non-executive member.

Areas of expertise

Andy is a highly experienced former Chief Executive Officer and Finance Director with a strong commercial outlook and he has experience of growing and acquisitive businesses. He has a deep understanding of finance and risk management and effective operating models in FTSE 100 businesses.

Current external roles

Andy is Chair of St James's Place Wealth Management plc and is also Senior Independent Director and Audit Chair at Ascot Underwriting Limited.



Jérôme Mourgue D'Algue

PICG & PIC Director

Non-Executive Director
Shareholder nominated by ADIA



Date of appointment

Jérôme was appointed to the Board in November 2018.

Background and career

Jérôme holds an MBA from the Wharton School and a BA from ESSEC. He was previously an Associate at McKinsey & Company and Vice President of Morgan Stanley Capital Partners in London. Jérôme was a Partner at private equity firm Englefield Capital LLP. He has been an employee of Abu Dhabi Investment Authority ("ADIA") since 2012. He became Head of Financial Services in the Private Equity Department in 2017, Head of EMEA in 2019 and is now the Global Head of Private Equity.

Areas of expertise

Jérôme has spent 25 years working in the financial services industry, with a strong background in asset management.

Current external roles

Jérôme is currently the Global Head of Private Equity at ADIA and represents ADIA on the boards of various entities ADIA has invested in. Jérôme is also a Director of Athora

Board of Directors (continued)



Martin Pike

PICG & PIC Director

Independent Non-Executive Director



Date of appointment

Martin was appointed to the PIC Board in January 2025 and the PICG Board in July 2025.

Background and career

Martin has over 30 years' experience in the financial services/insurance sector as a strategy and risk consultant, and actuary. He brings experience from previous roles at Aberdeen Group PLC where he was Chair of the Risk & Capital Committee and a member of the Remuneration Committee, Audit Committee and Nomination and Governance Committee. Martin was Chairman of the Remuneration Committee, and member of the Audit Committee for esure Group PLC. Martin served as Chair of Faraday Underwriting Limited (a subsidiary of Gen Re managing a syndicate at Lloyd's) and as Chair of AIG Life (a subsidiary of the AIG Group). He was Managing Director, Risk Consulting and Software EMEA at Towers Watson from 2010 until 2013 having spent just under 30 years with the business.

Areas of expertise

Martin has a strong strategic risk and strategy background and experience as a non-executive director in FTSE 100, FTSE 250 and other unlisted businesses, including chair roles at subsidiary company level.

Current external roles

Martin is Chairman and joint founder at Greencore Homes Ltd, a net zero carbon and low-energy residential construction business, which has grown through start-up into scale-up stage with external investment. He is also a Non-Executive Director of Gatelely (Holdings) plc.



Peter Rutland

PIC Director

Non-Executive Director
Shareholder nominated by CVC



Date of appointment

Peter was appointed to the PIC Board in May 2017.

Background and career

Peter is a Managing Partner and Head of CVC's Financial Services Team and is based in London. Prior to joining CVC in 2007, he had worked for Advent International since 2002. Peter has had previous roles at Goldman Sachs in the Investment Banking division. Peter holds an MA from the University of Cambridge and an MBA from INSEAD.

Areas of expertise

Peter has over 20 years' experience in the banking, investment and insurance industries as well as experience as a director of both private and listed companies.

Current external roles

Peter represents CVC and is a member of boards representing the following groups: Newday, Paysafe, TMF and Resurs.



Wilhelm Van Zyl

PICG & PIC Director

Non-Executive Director
Shareholder nominated by Reinet



Date of appointment

Wilhelm was appointed to the PIC Board in May 2015 and the PICG Board in October 2017.

Background and career

Wilhelm is the Chief Executive of Reinet Investments Manager S.A. and Reinet Fund Manager S.A. Prior to this, he was group actuary of the financial services group Metropolitan Holdings from 2001 and headed up its corporate business from 2006. In 2008, he was appointed as Chief Executive of Metropolitan Holdings. Following the listing of MMI Holdings in 2010, resulting from the merger between Metropolitan and Momentum, he was appointed as Deputy Group Chief Executive. Wilhelm holds a BCom degree from Stellenbosch University and is a Fellow of the Institute and Faculty of Actuaries (UK) and Fellow of the Actuarial Society of South Africa.

Areas of expertise

Wilhelm has a strong background in the financial services sector in South Africa and overseas along with experience in investment strategy.

Current external roles

Wilhelm serves on the boards of various Reinet and investee entities.

Board of Directors (continued)

Former Directors



Tracy Blackwell CBE

PICG & PIC Director

Former Chief Executive Officer

Date of appointment

Tracy was appointed to the Board as an Executive Director in July 2011 and appointed as Chief Executive Officer in July 2015. Tracy retired as Chief Executive Officer and from the Boards of PICG and PIC on 31 December 2025.

Background and career

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

Areas of expertise

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



Arno Kitts

PICG & PIC Director

Independent Non-Executive Director



Date of appointment

Arno was appointed to the Boards in July 2016 and retired from the Boards on 30 June 2025.

Background and career

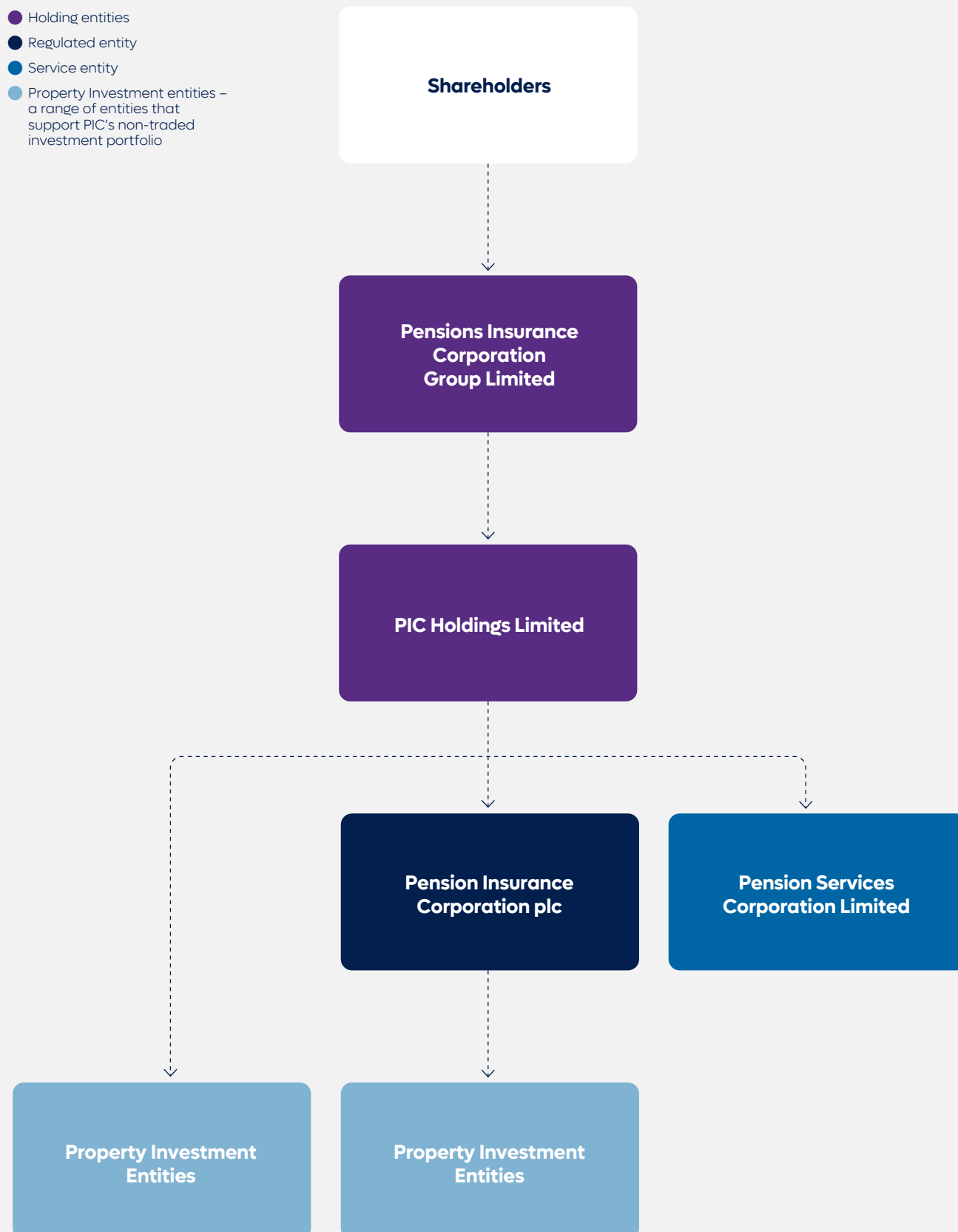
Arno's previous roles include Managing Director of BlackRock's £250 billion UK institutional business, Head of Henderson Global Investors global distribution and Head of JPMorgan's Asset Management UK institutional business. Arno was a JPMorgan Managing Director, responsible for institutional and defined contribution business, and he was the Chief Executive Officer of the JPMorgan Life business. He served as a director of many investment funds and was a former Board member of the Pensions and Lifetime Savings Association ("PLSA"). Arno is a Fellow of the Institute of Actuaries and holds a PhD from the University of Southampton.

Areas of expertise

Arno has been involved in investment management since 1989, including seven years as Head of Investments of an insurance company. Arno was a member of the Council and Finance & Investment Board of the Actuarial Profession and has been actively involved in industry matters as a member of the PLSA Defined Benefit Council.

Corporate Governance report

Simplified PICG Group structure



Corporate Governance report (continued)

Application of the UK Corporate Governance Code 2024

The Board is committed to high standards of corporate governance and supports the principles laid down in the UK Corporate Governance Code 2024 (the "Code") which is available at the Financial Reporting Council's website www.frc.org.uk. During the financial year ended 31 December 2025, the Group applied all of the principles of the Code, and the table to the right signposts where key content can be found in this report to demonstrate how we have applied the principles of the Code.

The Board remains committed to open and transparent reporting; however, as the Group is a private company, it does not apply a number of the provisions of the Code because they are not relevant in the context of the Group's business. The Board is supportive of good governance practices and the application of the provisions of the Code will be kept under review, taking into account requirements for Private Limited companies.

Code provisions that the Group does not apply

Provision 18 – all directors should be subject to annual re-election. The board should set out in the papers accompanying the resolutions to elect each director the specific reasons why their contribution is, and continues to be, important to the company's long term success.

Explanation – the Company's Directors are not subject to annual re-election. Major shareholders of the Group nominate Directors for appointment to the Board.

Provision 32 – the board should establish a remuneration committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies, two. In addition, the chair of the board can only be a member if they were independent on appointment and cannot chair the committee. Before appointment as chair of the remuneration committee, the appointee should have served on a remuneration committee for at least 12 months.

Explanation – the Remuneration Committee comprises six NEDs, four of which are regarded as independent and the remaining two are shareholder nominated Directors. The Chair of the Remuneration Committee is independent and meets the relevant requirements. The shareholder nominated Directors represent shareholder views in remuneration discussions and, together with the independent NEDs, monitor and safeguard the sustainable growth of the Group through remuneration oversight and ensuring that remuneration policies do not encourage excessive risk taking.

Provision 41 – there should be a description of the work of the remuneration committee in the annual report.

Explanation – the content of the Remuneration Committee report is tailored to requirements for private limited companies. We comply with the majority of this provision and the Group continues to develop further ways of engaging with the workforce on remuneration matters.

Code Principles explanation references

1. Board Leadership and Company Purpose

The role of the Board and the Company's purpose is set out in the Corporate Governance report from page 102.

A Effective Board	p96-101
B Purpose, values, strategy and culture	p104-105
C Governance framework	p106
D Stakeholder engagement	p46-49
E Workforce policies and practices	p53-57

2. Division of Responsibilities

The Governance and control framework provides an overview of the Board Committees in place and their responsibilities. It also summarises the authority delegated to the CEO and the Executive Committee and Management Committees.

F Role of Chairman	p107
G Independence	p110
H Non-Executive Director time commitments	p111
I Board support and resources	p107-108

3. Composition, Succession and Evaluation

Details about the composition of the Board, along with individual Director's profiles can be found on pages 96-101. The Nomination Committee report on pages 122 to 124 provides information on succession planning and the search process for new Directors.

J Appointments to the Board	p110 and p122-124
K Board skills, experience and knowledge	p96-101 and p110-111
L Annual Board evaluation	p112-113

4. Audit, Risk and Internal Control

Our approach to risk management and the assessment of our principal risks is outlined on pages 77 to 85 and in the Directors' report on pages 129 and 133. The Audit Committee report outlines the Committee's assessment of the Company's risk and control environment and the processes and procedures in place to ensure that the Annual Report is fair, balanced and understandable.

M Internal and external auditors	p118
N Fair, balanced and understandable	p117
O Internal control framework and risk management	p118 and p34-135

5. Remuneration

The Remuneration Committee report found on pages 125 to 129 describes the work of the Committee.

P Remuneration linked to purpose and values	p125-129
Q Remuneration policy review	p125-129
R Remuneration outcomes	p125-129

Corporate Governance report (continued)

Leadership and Company purpose

Pension Insurance Corporation Group Limited ("PICG" or the "Group") and Pension Insurance Corporation plc ("PIC") are each led by a Board of Directors who are appointed pursuant to the relevant Articles of Association. The Group continues to benefit from a simple corporate structure, as depicted on page 102. The composition of the Boards is designed to ensure that there is an overlap of Directors between the Boards, as shown in the attendance table on page 109 and that both Boards are aware of relevant matters which affect either PICG or PIC. Any mention of the Board in this report refers to the PICG Board, unless stated otherwise. The Directors of both Boards have the benefit of the Group's Directors' and Officers' indemnity and insurance policy.

The current Board members, details of their experience and the dates of their appointment are set out on pages 96 to 101.

The Board believes that good governance, strong values and the right culture enable the Group to do what is right for our policyholders, employees, shareholders, and other stakeholders. The Board considers and applies the principles of the Code as the basis of how the Group should be governed.

Role of the Board

The role of the Board is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. The Board also plays a key role in establishing the Group's purpose, which is to pay the pensions of its current and future policyholders. In order to achieve that long-term sustainable success and fulfil the Group's purpose, the Board ensures that the Group operates within a framework of prudent and effective controls, which enable risks to be assessed and managed. The Board also plays a key role in setting the Group's culture and monitoring how it is being embedded so that it is aligned with the Group's values and purpose. The right culture enables the delivery of the Group's strategy and business model by promoting attitudes and behaviours of high ethical standards and integrity, as set out in the Group's values. The Board sets the tone through ongoing dialogue with management and employees, and holds senior management to account where there is a misalignment of the existing culture with the Group's purpose and values.

The Board has collective responsibility for setting the Group's strategic goals and providing leadership to put them into effect through the management of the Group's business within the Group's governance framework. It does this by setting Group strategy, ensuring appropriate standards and controls, and monitoring and reviewing management's performance. Part of this process is ensuring that the right resources are in place to enable the Group to deliver on its strategic goals and to meet its obligations. This includes both financial and human resources, ensuring the right levels of capital are held, and an appropriate team of people is in place to run a growing business whilst managing the risks.

In 2026, the Board will build on the work carried out to date and ensure that Directors and executive management have the relevant skills and experience to continue to provide strong direction and leadership to the Group as it continues to grow and evolve.

Conflicts of interest

The Board has established procedures to deal with Directors' conflicts of interest which complies with the PICG and PIC Articles of Association and the provisions in s.175 of the Companies Act 2006. A schedule of each Director's actual or potential conflicts is compiled based on the disclosures made by the Director, and these are reviewed on an annual basis. Additionally, any conflicts or potential conflicts are considered at the beginning of each Board and Board Committee meeting.

Accountability

The Board, through the Audit and Board Risk Committees, receives reports regarding the Group's risk management and internal control systems. These reports comprise a verbal update from all Chairs of the Board Committees and are supported by the Co-ordinated Assurance Report and an annual attestation process. Collectively, these lead to an annual opinion and written assessment on controls, risk management, governance and culture which allow the Board to assess the effectiveness of the Group's systems of risk management and internal control. The Audit Committee facilitates the review of the Group's relationship with its auditor on behalf of the Board, and the details are set out in the Audit Committee report on pages 116 to 119. The Board also reviews financial and business reporting at each scheduled meeting.

Modern Slavery Act 2015

The Group has a Modern Slavery Statement, which is reviewed and approved by the PIC Board annually. The Modern Slavery Statement is available on the Group's website: www.pensioncorporation.com/about-us/modern-slavery-statement.

The Group fully supports the aims of the Modern Slavery Act 2015, and seeks to ensure that modern slavery and human trafficking do not feature in any part of its business or supply chains. The Group is committed to protecting the human rights of its employees and contractors and it has a zero-tolerance approach to any form of slavery and human trafficking within the Group or its suppliers, and acts responsibly and ethically in business relationships to ensure human trafficking and slavery do not appear anywhere in its business operations.

While not having a specific human rights policy, the Group has a range of policies on Anti-Bribery, and Anti-Fraud, and Whistleblowing ("Speak Up") which are well embedded across the Group. The Board and senior management know that modern slavery is a growing global issue which is why PIC remains fully committed to protect against modern slavery in its business, supply chain, and within the investment process.

There were no instances of modern slavery reported during the year. The Group continued to manage its suppliers through a third-party management process and the implementation of internal policies. The Group expects the same high standards from all of its contractors, suppliers, and other business partners. PIC undertakes ongoing due diligence to identify potential risk areas in its supply chains and ways to mitigate the risks. Modern slavery and other human rights issues are also considered as part of PIC's investment process.

Corporate Governance report (continued)

Anti-bribery and anti-corruption

The Group operates an Anti-Bribery and Anti-Corruption Policy, in line with the Bribery Act 2010. The Group will not tolerate any form of bribery by, or of, its employees, agents or consultants or any person or body acting on its behalf, and no such incidents occurred in the financial year ended 31 December 2025. Senior management are committed to implementing effective measures to prevent, monitor, and eliminate bribery. The policy covers:

- the main areas of liability under the Bribery Act 2010;
- the responsibilities of employees and associated persons acting for, or on behalf of, the Group; and
- the consequences of any breaches of the policy.

Whistleblowing arrangements

The Group has a policy which enables and encourages employees to report in confidence any possible improprieties in either financial reporting or other matters. The Chair of the Audit Committee is PIC's Whistleblowing Champion and he guards the independence, autonomy, and effectiveness of the Group's policies and procedures on whistleblowing.

Remuneration

Details of the Directors' remuneration and the work of the Remuneration Committee can be found on pages 125 to 129.

Culture and the Board

Having a high performance, collaborative culture helps PIC achieve its purpose and strategic objectives. PIC's focus on its culture means that we value our stakeholders and work hard to provide exceptional service to them all, including policyholders, trustees, long-term investment partners, colleagues, and our other stakeholders. Our culture, underpinned by our values – resilient, adaptable, and loyal – encourages diverse perspectives and a leadership mentality amongst our talented employees.

PIC has continued to make progress in a number of areas regarding its culture and in 2025, the Boards approved a Culture Dashboard which is organised into five key areas: Leadership; Employees; Customers; Society; and Risk, each reflecting critical cultural dimensions and linked to the business' strategic objectives.

Activities to further embed PIC's culture have included our "TyPICally Us" staff events, employee engagement surveys, and greater empowerment across the business.

Culture is a standing Board agenda item twice a year, and the Board recognises the importance of maintaining and evolving our culture as it influences our ability to achieve good outcomes.

Read more in our People and Culture section on pages 56 to 60.

Stakeholders and the Board

The Group's formal s.172 statement can be found on pages 50 to 55 of this Annual Report. Pages 46 to 49 of the Strategic Report also set out who our stakeholders are, how we have engaged with them as a business, and how stakeholder needs are at the core of our decision making.

PIC's purpose is to pay the pensions of its current and future policyholders, and this is through best-in-class customer service, comprehensive risk management, and excellence in asset and liability management. The Board recognises that the needs and relevance of different groups of stakeholders can vary over time and, when making decisions, the Board has regard to the needs and priorities of each of its stakeholders, as well as its broader duties under s.172 of the Companies Act 2006. This can only be achieved through engagement with, and consideration of, all stakeholders, including our suppliers, employees, policyholders, shareholders, and debt holders, trustees, investment counterparties, and regulators.

Division of responsibilities

The Board is able to deliver its strategy through the strong governance framework that PIC has in place and, in doing so, provides strong, sustainable financial and operational performance for our shareholders and wider stakeholders.

Matters reserved for the Board

The Board maintains a formal schedule of matters specifically reserved for its decision, to ensure there is a clear division of responsibilities between the Board and executive management.

These reserved matters include the Group's strategic aims; objectives and commercial strategy; governance and regulatory compliance; structure and capital; financial reporting and controls; internal controls and risk management; major capital commitments; major contracts and agreements; shareholder engagement; remuneration of the Board and senior executives; material corporate transactions; and any changes to the schedule of reserved matters.

The schedule of reserved matters ensures that decisions are made at the right level and that stakeholder impacts are a fundamental part of the decision-making process. The Board is supported in its work by Board Committees, whose responsibilities are delegated by the Board. The reports from the Audit, Investment and Origination, Nomination, Remuneration and Board Risk Committees are set out on pages 116 to 132.

On 1 February 2026, the Board Conflicts Committee was established, as set out on page 123.

Corporate Governance report (continued)

Governance and control framework

Our Board and Committee framework supports the development of the highest standards of governance practices across the Group, which is integral to the successful delivery of our strategy. The below shows the Group's governance structure. The structure is reviewed as part of the annual review of the governance processes; to make sure that it is fit for purpose, and remains as such in the context of the Group's growth prospects.

The membership of the Committees is carefully determined by the Board on recommendation of the Nomination Committee to ensure there are the right skills, experience, and knowledge on each Committee and that there is cross-Committee membership. This approach facilitates appropriate oversight of the entire business and ensures a good information flow between the Committees.

Board

The role of the Board is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. The Board also plays a key role in establishing the Group's purpose, which is to pay the pensions of its current and future policyholders. Matters reserved for the Board are described on page 105.

Audit Committee

Assists the Board in its oversight of the financial reporting process, the internal and external audit process, the system of internal controls, and compliance with law and regulations.

Conflicts Committee

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.

Board Customer Committee

Assists the Board with oversight and advice in relation to PIC's strategic customer objectives and regulatory responsibilities, including embedding Consumer Duty ("CD") requirements in PIC's processes and business activities and ensuring a continued focus on the delivery of good customer outcomes.

Investment & Origination Committee

Assists the Board with oversight of the investment policy and strategy, operation of PIC's investment portfolio and new business and reinsurance origination.

Nomination Committee

Assists the Board with a review of the Board and Board Committee composition as well as succession planning for the Board and executive management.

Board Risk Committee

Provides oversight and advice to the Boards in relation to the current, emerging and potential risk exposure, risk tolerance, and future risk strategy of PIC and PICG. Recommends the overall risk appetite to the Boards and provides oversight of the Internal Model.

Remuneration Committee

Recommends to the Board the framework and policy for the remuneration of the Executive Directors and other members of the executive management. The Committee also provides oversight of certain People matters.

Chief Executive Officer

Under authority delegated from the Board, responsible for management of the Group.

Executive Committee

Assists the Chief Executive Officer in the overall management of the Group. Proposes the strategy and business plans to the Board and ensures that there are sufficient resources to deliver them. Implements the Board-approved strategy, operational plans, policies, procedures and budgets. Ensures the Group has appropriate systems and controls in place. Monitors operating and financial performance of the Group.

Management and Operating Committees

Specialist committees assisting executive management in discharging their responsibilities.

Corporate Governance report (continued)

The responsibilities of the Directors and the Company Secretary are set out below:

Non-Executive Directors

Chairman

David Weymouth

David is responsible for the leadership and effectiveness of the Board. He also leads on the development of culture by the Board as well as the development and monitoring of the effective implementation of policies and procedures for the succession planning, induction, training and development of Directors, as well as evaluating their performance.

Together with the Chief Executive Officer and Company Secretary, he sets the agenda for Board meetings, and he facilitates open and constructive dialogue during those meetings. David also plays an important role in ensuring the Group maintains effective communication with shareholders and other stakeholders.

Senior Independent Director ("SID")

Tracey Graham

The SID acts as a sounding board for the Chairman and is a trusted intermediary for the other Directors and shareholders. The SID is also available if the other Directors and shareholders have concerns, which contact through the normal channels of Chairman, Chief Executive Officer or Chief Financial Officer, has failed to resolve, or for which such contact is inappropriate. Tracey, in her capacity as SID, undertook an appraisal of the Chairman's performance in conjunction with the other NEDs.

Non-Executive Directors ("NEDs")

The names and biographies of the Non-Executive Directors on the PICG and PIC Boards can be found on pages 96 to 100.

Along with the Chairman and Executive Directors, the NEDs are responsible for ensuring the Board and its Committees fulfil their responsibilities. The NEDs combine broad business and commercial experience, in particular in the financial services and insurance sectors, with independent and objective judgement as well as providing independent challenge to the Executive Directors. The balance between the NEDs and Executive Directors enables the Board to provide clear and effective leadership across the Group.

- Martin Pike has the additional responsibility of Sustainability Champion. He ensures sustainability matters are embedded in the Group's culture, policies, and governance, and provides oversight of internal and external engagement and disclosures.
- Stuart King has the additional responsibility of Consumer Duty Champion. He ensures Consumer Duty is embedded in culture and governance, challenges management on customer outcomes and oversees the annual Consumer Duty Board Report.
- Andy Moss is the Whistleblowing Champion. He guards the independence, autonomy and effectiveness of the Group's policies and procedures on whistleblowing.

Executive Directors

Chief Executive Officer ("CEO")

Tracy Blackwell CBE (until 31 December 2025) and Dom Veney (interim) from 1 January 2026

The CEO leads the executives in the day-to-day management of the business and effective implementation of the Board's decisions. The CEO is supported by a strong and experienced Executive Committee, and together with the leadership team, proposes and develops the Group's strategy and overall commercial objectives, having regard to the Group's responsibilities to its shareholders, customers, employees and other stakeholders.

The CEO consults regularly with the Chairman and the Board on matters which may have a material impact on the Group. The CEO is responsible for the Group's performance of its obligations, adoption of the culture set by the Board, and outsourcing arrangements.

Chief Financial Officer ("CFO")

Dom Veney (until 31 December 2025) and Rachel Ware¹ (interim) from 1 January 2026

The CFO is responsible for the financial and actuarial matters of the Group, including management, allocation and maintenance of capital, funding and liquidity. The CFO also manages and oversees the production and integrity of the Group's financial information and its regulatory reporting.

Company Secretary

Martin Griffiths

The Company Secretary, through the Chairman, is responsible for advising the Board on all governance matters, and ensuring the Board has the right procedures, policies, processes and resources it needs to function effectively. The Company Secretary makes sure there is a good information flow between the Board, its Committees, and senior management.

¹ Not an Executive Director

Corporate Governance report (continued)

Delegation of responsibilities

The Board has delegated certain aspects of its responsibilities to its Board Committees to assist in providing effective oversight and leadership:

- Audit Committee;
- Board Customer Committee;
- Investment and Origination Committee;
- Nomination Committee;
- Remuneration Committee; and
- Board Risk Committee.

In anticipation of 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 Related Party Transaction Policy.

The terms of reference for each of its Committees have been approved by the Board and are reviewed annually.

The reports for the Audit, Investment and Origination, Nomination, Remuneration and Board Risk Committees are set out on pages 116 to 132.

The Investment and Origination Committee and the Board Customer Committee consider matters specific to PIC. The other Committees consider matters concerning both PICG and PIC, as per the delegations in their terms of reference. Members of the Committees are appointed by the Board on the recommendation of the Nomination Committee, in consultation with the Committee Chairs.

In addition to the Board Committees, there are also a number of management and operating committees that assist senior management with business management and oversight of the Group in relation to: the day-to-day management of the business; investment matters; risk management frameworks and input into the development of the risk strategy; projects and major change initiatives to maximise PIC's project investment return; all new business deals and interaction with policyholders, including the requirements of the Consumer Duty, and overall conduct.

Cross-Committee membership

As shown on page 109, Committee membership is constituted in a way that ensures that there is cross-Committee membership, which allows items of importance to be managed between Committees in a coordinated and efficient manner. This complements the Committee briefings that the Board receives.

Board and Committee meetings

The Board meets formally on a regular basis and it also attends to various matters by way of written resolution. There is also regular communication and interaction with management, including monthly updates. Prior to each meeting, the Chairman and Company Secretary ensure that the Directors receive accurate, clear, and timely information, to facilitate focused, robust, and informed discussions and to aid the decision-making process.

Board meetings follow a clear agenda that is agreed in advance by the Chairman, in conjunction with the Chief Executive Officer and Company Secretary. At each meeting, the Board receives updates from the Chief Executive Officer and Chief Financial Officer, as well as from other members of senior management. These reports cover how the Group is executing the business plan, policyholder administration, including details of how we meet our obligations to policyholders, the new business pipeline and associated investments, and the Risk function's review of current and emerging risks. The Chairs of each Board Committee also report to the Board on the recent activities of each Committee. The Board has regular dialogue with senior management outside of formal meetings and, in addition to regular matters, the Board and Committees also discuss other topics that require their attention.

Corporate Governance report (continued)

Attendance by Directors at Board and Committee meetings

In 2025, there were seven scheduled PICG and PIC Board meetings and five ad hoc meetings.

The table below shows the attendance by Directors of both the PICG and PIC Boards, as well as the attendance at Board Committees, for all scheduled meetings.

Director	PICG Board		PIC Board		Audit Committee	Board Customer Committee	Investment and Origination Committee		Nomination Committee		Remuneration Committee		Board Risk Committee			
David Weymouth	7	7	7	7	–	–	4	4	2	2	7	7	–			
Tracy Blackwell CBE	7	7	7	7	–	–	–		–		–		–			
Dom Veney	–		7	7	–	–	–		–		–		–			
Jake Blair	7	7	7	7	–	–	4	4	–		–		–			
Sally Bridgeland	–		7	7	4	5	–		–		–		5	5		
Judith Eden	7	7	7	7	–	3	4	–		2	2	7	7	4	5	
Tim Gallico	7	7	–		–	–		–		–		–		–		
Tracey Graham	7	7	7	7	5	5	2	4	–		1	2	–			
Julia Goh	7	7	7	7	–		4	4	4	4	–		–			
Stuart King	6	7	6	7	5	5	4	4	–		–	6	7	5	5	
Arno Kitts ¹	5	5	5	5	–		–		2	2	–		–	3	3	
Josua Malherbe	5	7	–		–		–		–		2	2	6	7	–	
Andy Moss	6	7	6	7	5	5	–		–		–		7	7	5	5
Jérôme Mourgue D’Algue	6	7	6	7	–		–		3	4	2	2	–		–	
Martin Pike ²	7	7	7	7	5	5	–		4	4	–		–		5	5
Peter Rutland	–		6	7	–		–		3	4	–		6	7	–	
Wilhelm Van Zyl	7	7	7	7	–		–		4	4	–		–		5	5

1. Arno Kitts retired from the PICG and PIC Boards on 30 June 2025.

2. Martin Pike joined the PICG Board on 1 July 2025 but attended all scheduled PICG Board meetings in 2025.

● Meetings attended ● Scheduled meetings

Corporate Governance report (continued)

Board composition, succession and performance

Board composition

The independence of the NEDs is reviewed annually by the Nomination Committee in accordance with the criteria set out within the Code. The Nomination Committee reviews the size, structure and composition of the Board and its Committees, and makes appropriate recommendations to the Board. The Board is structured to provide the Group with an appropriate balance of skills, experience, knowledge, and independence to enable it to discharge its duties and responsibilities effectively. Given the nature of the Group's business, insurance, actuarial, accounting, and financial services sector experience is clearly of benefit, and this is reflected in the composition of the Board and its Committees.

As at 31 December 2025, the PICG Board had 13 Directors; seven were independent Non-Executive Directors, including the Chairman, five were nominated by major shareholders, and one was an Executive Director. Tracey Graham was appointed on 1 January 2025, and Martin Pike was appointed on 1 July 2025. Arno Kitts stepped down from the Board on 30 June 2025. Tracy Blackwell stepped down from the Board on 31 December 2025, and Dom Veney was appointed on 1 January 2026.

As at 31 December 2025, the PIC Board had 14 Directors, eight were independent Non-Executive Directors, including the Chairman, four were nominated by major shareholders, and two of were Executive Directors. Tracey Graham and Martin Pike were appointed on 1 January 2025. Tracy Blackwell stepped down on 31 December 2025.

During the year, the Chairman and the NEDs met without the Executive Directors, and the NEDs met without the Chairman present. At 31 December 2025, the Board continued to meet the targets it has set in the Board Diversity Policy. The Board is aware of best practice initiatives regarding the percentage of women on the Board in the FTSE 350 and the industry more generally. The Board will continue to take steps where possible to increase its diversity.

Board independence

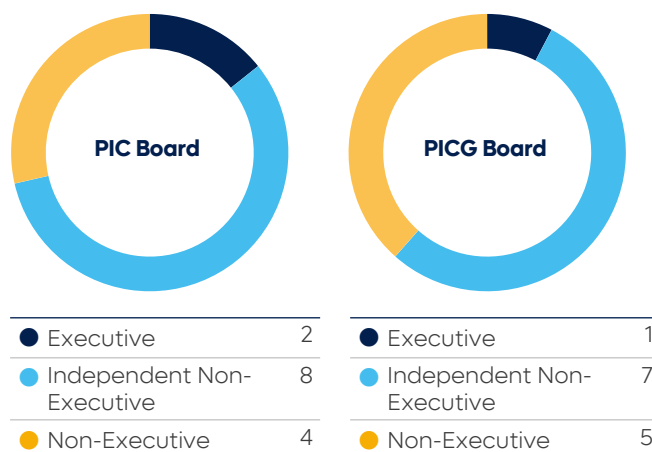
The independence of the NEDs is reviewed annually by the Nomination Committee in accordance with the criteria set out within the Code.

Jake Blair, Jérôme Mourgue D'Algue, Tim Gallico, Josua Malherbe, Peter Rutland, and Wilhelm Van Zyl are not considered independent because they are nominated by major shareholders of the Group.

For the financial year ended 31 December 2025, the PICG and PIC Boards are satisfied that they met the requirement under the Code for at least half of the Board (excluding the Chairman) to comprise independent NEDs.

Composition and independence

As at 31 December 2025



Board diversity and skills and succession planning

The Board believes that its success is rooted in the diverse nature of the environment in which it operates and is dependent on the Group's ability to leverage differences, collective experiences, variety of backgrounds, talents, skills, and knowledge.

The Board places great emphasis on ensuring that its membership reflects diversity in its broadest sense, as this is crucial to provide a range of perspectives, insights, and challenge that are needed to support good decision making and successful delivery of the Group's business strategy. The Board's belief in having a suitably diverse membership is in line with the Board Diversity Policy, which is reviewed by the Board annually.

The Nomination Committee supports the Board by reviewing and considering the diversity of the Board as part of the annual Board performance review and ongoing succession planning when recommending the appointment of new Board members. The review of Board diversity takes into account the challenges and opportunities facing the Group, the balance of skills, knowledge, experience and diversity of the Board, as well as time commitments needed on the Board in the future.

Further information about the work of the Nomination Committee for non-executive and executive succession planning is included in the Nomination Committee report on pages 122 to 124.

Corporate Governance report (continued)

Time commitments

As part of the appointment process and their annual review by the Nomination Committee, each NED confirms that they are able to allocate sufficient time to the Group to discharge their duties and responsibilities effectively. The external commitments of the Chairman and the other Directors are stated in their profiles on pages 96 to 101, and the Company Secretary maintains a record of all external appointments held by the Directors. In addition, the Directors are required to consult with the Chairman as early as possible on any new external appointment. The Board is satisfied that the Chairman and all the NEDs are able to allocate sufficient time to enable them to discharge their duties and responsibilities effectively.

Induction

Following appointment, all Board members receive a tailored induction programme, which is monitored by the Chairman and is the responsibility of the Company Secretary. The programme is bespoke and takes into account the new Director's qualifications and experience. It includes presentations, briefings, and meetings with Board members, senior management and external advisers. Specific training that has been identified during the induction process is then provided to new Directors to enable them to properly challenge the Executive Directors and senior management.

Development and ongoing training

The ongoing professional development of the Directors is regularly reviewed by the Board and its Committees. As part of the Board and Board Committee performance reviews, the Directors have the opportunity to highlight specific areas where they feel their skills or knowledge would benefit from development and are encouraged to continue their own professional development through attendance at seminars and conferences.

It is important that the Board remains aware of upcoming developments and the Directors refresh their skills and knowledge so they can continue to contribute to technical discussions and provide effective challenge. The Directors attend training sessions, which are typically at each round of Board and Committee meetings. Directors confirm annually that they have received sufficient training to fulfil their duties.

Ongoing learning of the Board



February 2025

Operational Resilience
Information Session

February 2025

ORSA Report training session

March 2025

UK Corporate Governance
Code 2024

June 2025

Investment Portfolio
Optimisation

September 2025

Discounted Cash Flow
Portfolio Deep Dive

September 2025

Artificial Intelligence in the
Pensions Risk Transfer Market

November 2025

Senior Managers &
Certification Regime ("SMCR")

November 2025

Sustainability matters
related to Consumer
Duty expectations

November 2025

Cyber Security



Board



Board Customer
Committee



Board Risk
Committee



Investment and
Origination Committee

Corporate Governance report (continued)

Board performance review

The Board conducts an annual review of its performance and its effectiveness in order to identify areas for development. Every three years, the performance review is conducted by an external consultant. The last external Board performance review was completed in 2023 by Independent Audit Limited; therefore the next external review is due to take place in 2026. In light of the impending changes to the Boards following the completion of the acquisition of the Group by Athora, it was agreed that a full Board evaluation would take place in 2026, with the focus for 2025 being on the Board Committees, with that review being undertaken internally.

The internal committee performance review was implemented by way of a survey, which in 2025 covered three areas of consideration: 1. Committee Responsibilities and Remit; 2. How the Committee Operates; and 3. Effectiveness of the Chair.

The Committee members and standing attendees were asked to answer questions, using the scale: 1. Strongly Disagree; 2. Disagree; 3. Agree; 4. Strongly Agree; and 5. Cannot Judge.

In addition to using the scale, each section offered respondents an opportunity to provide additional "free-text" commentary on any other issues.

1

Step one Planning the review

The Corporate Secretariat proposes the content of the survey under the headings of:

1. Committee Responsibilities and Remit;
2. How the Committee operates; and
3. Effectiveness of the Chair.

2

Step two Sharing the survey and reporting on the findings

Following review of the Board Committee surveys by the Chairman, the surveys are circulated by the Corporate Secretariat to the members of the Committees and regular standing attendees for completion.

The results are collated by the Corporate Secretariat who analyse the key themes and propose actions and recommendations. The results are shared with the Chairman of the Board and the Chair of each Committee.

3

Step three Evaluation of the findings at Board level

Each of the Committees and the Nomination Committee consider the results and recommend the proposed actions to the Boards.

The Boards discuss the outcomes of the performance review and agree the proposed actions.

4

Step four Oversight of progress

Work begins on the proposed actions. Regular updates on the progress of actions will be presented to the Boards.

Key observations from the 2025 internal Board Committee performance review

The review concluded that the Board Committees continued to operate effectively, although some areas for further development were identified. These will be addressed in 2026. Further detail on the outcome of the Committee reviews can be found within the individual Committee reports.

Corporate Governance report (continued)

Update on areas for development from the 2024 internal Board performance review

2024 performance review recommendation

Progress made in 2025

Board reports

Continue to improve the quality and consistency of Board reporting.

The Corporate Secretariat function has continued to work with colleagues to improve Board reporting, ensuring that the new reporting template continues to be used effectively and working with the Chairman and the Chairs of the Board Committees to provide feedback. As improvement of reporting has been identified as a continued area for development through the 2025 review, more formal Board paper training is intended to be provided in 2026.

Culture

Continue to spend time on the cultural aspects of the business.

Following the approval of the updated Culture Statement by the Board in late 2024, the Boards approved the first Culture Dashboard in March 2025 and continue to receive regular updates on culture from the Chief People Officer.

Board agendas

Continue to consider the structuring of Board and Committee agendas to ensure that sufficient time is given to topics requiring more debate and discussion.

The Corporate Secretariat function continues to work with the Chairman and the Chairs of the Board Committees on the structure of agendas to ensure that there is appropriate time available to discuss items and ensure clarity on what is being asked of the Board and its Committees. Annual planners are in place for the Board and its committees to ensure that matters reserved are considered. In addition, the Chair's agenda review meetings continue to be held to ensure consistency and minimise duplication across the Board and its Committees.

Sustainability and ESG

Further consideration to be given as to how the Board and its Committees consider sustainability and ESG matters that fall within its remit.

The Corporate Secretariat function worked with the Head of Sustainability to review the sustainability and ESG matters that fall within the remit of each of the Board Committees and provided a summary to the Nomination Committee and the Boards. A 'Sustainability Matters Related to the Consumer Duty' training session was delivered to the members of the Board Customer Committee in November 2025, with training also having been provided to the Remuneration Committee in September 2024 on the links between sustainability and remuneration and the potential challenges and limitations of, including ESG, specific metrics in remuneration scorecards. The updated risk taxonomy also includes a Board-level Sustainability Risk with sustainability risks also included in the Franchise Value risk category.

Board activities at a glance

In numbers

12

Total Board meetings

(includes 7 scheduled meetings, and 5 ad hoc meetings)

46

Total Committee meetings

(includes 27 scheduled meetings and 19 ad hoc meetings)

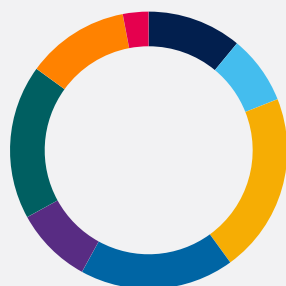
5

Ad hoc Board meetings

19

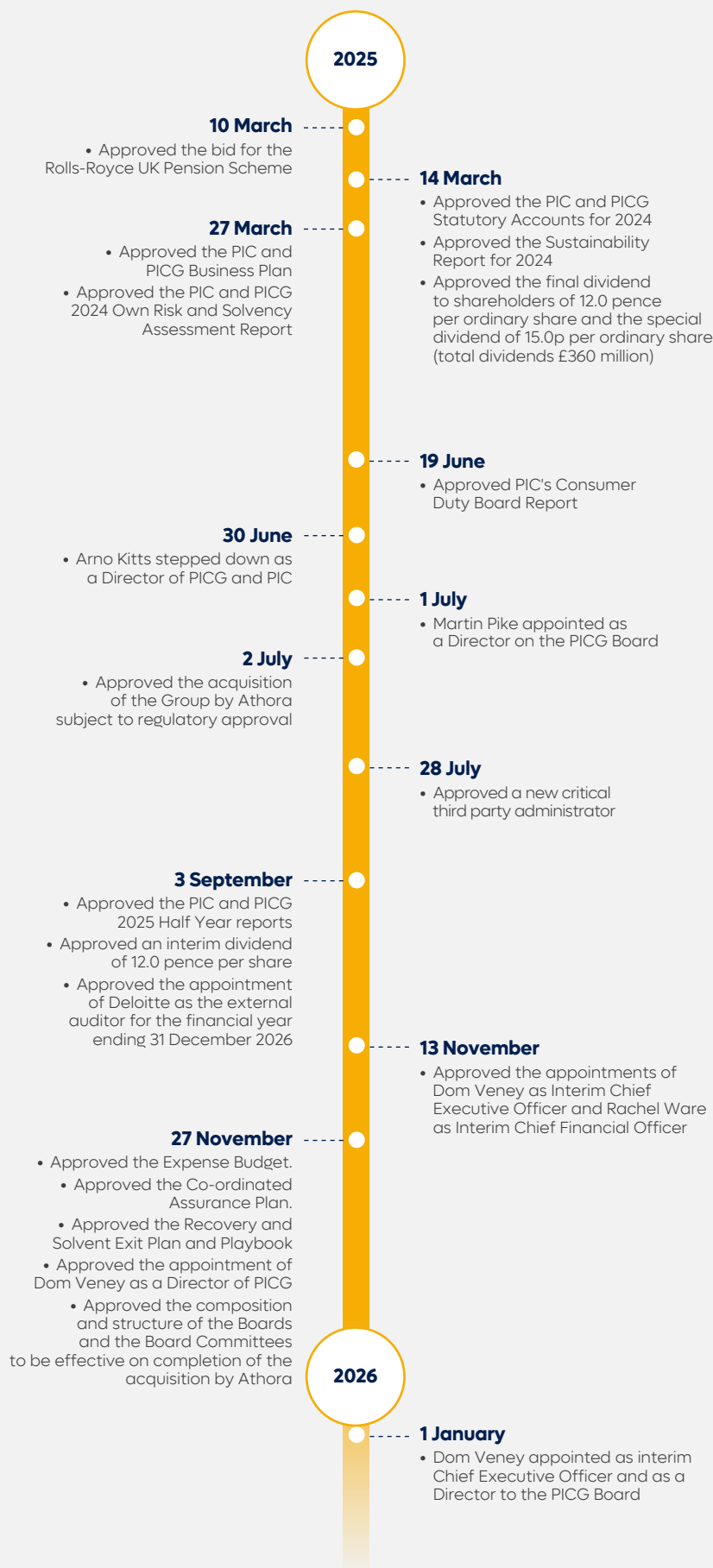
Ad hoc Committee meetings

How the Board spent its time during the year



Financial matters	12%
Governance	6%
Investment & Origination	25%
Strategy & Sustainability	19%
People matters	10%
Risk & Regulatory	14%
Operations	13%
Other	1%

Key decisions made by the Board and events during 2025



Board activities

Each year the Board approves an annual Board calendar of matters which it considers important to oversee, debate and review. The Board, in its considerations, took into account its obligations arising from s.172 of the Companies Act 2006 as outlined on pages 46 to 55.

Routine matters considered in the Board calendar Strategy

- Approval of the 2025 Business Plan.
- The Group's strategy and further opportunities for growth.
- New business transactions above a defined threshold, requiring Board approval.
- Continued to discuss the Group's culture in the context of the resources and activities required to ensure the success of the Group's strategy over a five-year period and reviewed and approved the Culture Dashboard and metrics.
- Progress of the Investment Platform Programme.
- Regular updates on sustainability and sustainability reporting.
- Regular updates on the investment data projects and initiatives.

Customers/Policyholders

- Approval of PIC's 2025 Operational Resilience Self-Assessment including Important Business Services and Impact Tolerances in respect of PRA PS6/21 and FCA PS21/3.
- Monitoring of various customer initiatives into an overarching Customer Programme which covers: Consumer Duty, policyholder communications, and vulnerable customers.
- Closely overseeing PIC's operations with a particular focus on outsourced administration services to ensure excellent service is provided to PIC's policyholders.

Risk management and Internal Model

- Approval of the 2024 PIC and PICG Own Risk and Solvency Assessment Reports.
- Review and approval of the risk appetite preferences, statements and metrics.
- Review and approval of the risk taxonomy.
- Reports on the progress of regulatory stress and scenario testing to ensure the business remained resilient and robust in challenging times and there was no adverse impact on policyholders, employees and stakeholders.
- Received an annual report on the Internal Model validation and reviewed and approved the Internal Model Policy.
- Approval of the updated Recovery and Solvent Exit Plan and Playbook.

Employees and remuneration

- Collaboration with the Nomination Committee on Chief Executive Officer succession.
- Five-year review of remuneration carried out by the Remuneration Committee.
- Approval of the annual bonus and Long Term Incentive Plan scorecards, metrics and ranges.
- Regular updates from the Chief Executive Officer and Chief People Officer on resourcing and wellbeing of staff, and evolving working arrangements.
- Approval of the launch of the Group's share schemes for the year and consideration of the impacts of the Athora acquisition.
- Discussions on the Group's culture and strategy.
- Approval of annual remuneration parameters and Non-Executive Director and senior management remuneration, taking into account all stakeholders' interests and business priorities.

Financial reporting and controls

- Approval of the PIC and PICG Annual Report and Accounts.
- Reviewing the Group's performance reports.
- Review and approval of the Co-ordinated Assurance Plan and noted updates against the plan.
- Review of the Whistleblowing Report.
- Approval of the Modern Slavery Statement.
- Review of the Annual Opinion from the Chief Internal Audit Officer on the effectiveness of the Group controls, risk management and governance processes, and culture.

Corporate governance

- With assistance from the Nomination Committee, the Board commenced a search for a new Independent Non-Executive Director ("INED").
- Review and approval of the composition of the Board and its Committees and approved changes to their composition on completion of the acquisition of the Group by Athora.
- Approval of the Board Diversity Policy.
- Approval of the updated Board and Board Committee terms of reference.
- Monitoring of any governance actions which had arisen from the 2024 Board performance review.
- Considered the results from the 2025 internal Board Committee performance review as disclosed in this report.
- Establishment of a new Board-level Conflicts Committee.

Audit Committee report



Committee role and membership

The Audit Committee (the "Committee") is responsible for oversight of financial and sustainability reporting, the effectiveness of internal controls, and risk management systems and processes. The Committee reviews and challenges the consistency of accounting policies, valuation assumptions and methodologies used for transactions, as well as the information presented within the financial statements and Climate Report (TCFD). The Committee is also responsible for overseeing the effectiveness of internal controls and the Risk Management Framework and reviews whether management has discharged its duty to maintain effective systems, processes, and controls.

Pursuant to the Code, the Committee comprises five INEDs. The Board is satisfied that all Committee members are independent and possess recent and relevant financial experience and expertise across various industries. The Committee held five scheduled meetings and one adhoc meeting. Other than Committee members, other regular attendees at Committee meetings during 2025 included: the Chairman of the Board, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Actuary, Actuarial Function Holder, General Counsel, Chief Internal Audit Officer and Wilhelm Van Zyl, a shareholder nominated Director.

There is an overlap of membership of the Audit Committee with the Board Risk Committee to ensure effective coordination and oversight across those committees.

 More detail on the skills and experience of the Committee members can be found on **pages 96 to 101**

Meetings held in 2025

		Scheduled meetings	Meetings attended
Andy Moss (Chair)	INED	5	5
Sally Bridgeland	INED	5	4
Tracey Graham	INED	5	5
Stuart King	INED	5	5
Martin Pike	INED	5	5



I am pleased to present the Audit Committee report for the year ended 31 December 2025.

The Committee fulfils a vital role in the Group's governance framework by providing valuable independent challenge and oversight across all financial and sustainability reporting and internal control procedures. It ensures that our shareholders', policyholders' and wider stakeholders' interests are protected.

The Committee has an oversight role of climate-related reporting, including the Climate Report (TCFD) and other sustainability disclosures. To support it in discharging this role, the Committee received regular updates from the Sustainability team on targets and disclosure requirements.

As part of its regular duties, the Committee oversees the relationship with and performance of the external auditor. During the year, it was announced that Athora would acquire the Group and as a result, the Committee discussed the benefits of aligning the Company's external auditor with that of the Athora Group, and ultimately recommended to the PIC and PICG Boards that Deloitte LLP be appointed as the new external auditor for the financial year ended 31 December 2026.

In my role as Chair, I remain committed to ensuring the Committee is effective and adjusts its deliberations in line with regulatory changes and evolving business needs.

Andy Moss

Chair of the Audit Committee

Audit Committee report (continued)

Key activities during 2025

The Chair met regularly on a one-to-one basis with the Chief Executive Officer, Chief Financial Officer, Chief Internal Audit Officer, the Actuarial Function Holder, and the lead Audit Partner from KPMG. The Finance and Actuarial teams also provide support to the Committee by making recommendations in relation to the Group's key accounting policies, and methods and assumptions being used in the valuation of the technical provisions under Solvency II, and the suggested basis for insurance contract liabilities under IFRS for PIC and the Group.

The Group continued to strengthen its non-financial controls and governance arrangements, and throughout the year the Committee approved a number of policies that fall within its remit. The Committee had oversight of the Group's Whistleblowing Policy and procedures for detecting fraud, as well as the prevention of bribery and market abuse. The Committee received oversight reviews of PIC's IT-related critical outsourcers and the status of PIC's third party and outsourcing arrangements.

During the year, the Committee spent time reviewing the Group's quarterly operating performance updates, and the half year and full year financial statements, and remained conscious of macro-economic factors impacting the Group.

The Committee received regular updates from Internal Audit on their reviews.

The Committee reviewed and recommended to the Board the Group's assessment of going concern and viability of the business.

Standard activities during 2025

- Reviewed the 2024 PICG and PIC Annual Accounts and recommended them to the PICG and PIC Boards for approval.
- Reviewed the PICG and PIC 2025 half year reports and recommended them to the PICG and PIC Boards for approval.
- Reviewed and approved the 2024 Solvency and Financial Condition Report.
- Reviewed and approved the policy and methodology for PIC's Solvency II Technical Provisions and IFRS results.
- Reviewed and approved the results of the actuarial valuation of PIC.
- Reviewed the appropriateness of the Group's key accounting policies, issues and significant judgements related to the financial statements including the half year and year end valuation basis and assumptions.
- Approved the 2025 year end methodologies and assumptions.
- Reviewed the process undertaken to support the Group's viability and going concern statements.
- Reviewed and recommended the Sustainability Report to the PICG and PIC Boards for approval.
- Reviewed and approved the Climate Report (TCFD).
- Reviewed and approved the Internal Audit Charter.
- Reviewed and approved the Internal Audit Plan.
- Reviewed the Money Laundering Reporting Officer's report.
- Reviewed reporting in relation to financial crime, whistleblowing and data protection.

- Received reports and updates from the Actuarial Function Holder in respect of the validation of technical provisions and year-end methods and assumptions.
- Received updates from the Chief Internal Audit Officer on the Group's internal control systems and audit actions.
- Approved the Tax Strategy.
- Approved a number of policies within its remit.

Whistleblowing

The Committee reviewed the adequacy of the Group's whistleblowing policies and procedures, ensuring that such arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action. The Committee was satisfied that these remain adequate.

Fair, balanced and understandable statements

The Committee considered, satisfied itself, and recommended to the Board that the processes and procedures in place ensure that the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the shareholders and stakeholders to assess the Group's position and performance, its business model and strategy, and the business risks it faces. To make this assessment, the Committee received copies of the Annual Report and Accounts to review during the drafting process, to ensure that the key messages were aligned to the Group's position, performance and strategy, and that the narrative sections were consistent with the financial statements and tables. The Committee provided feedback and the Annual Report was amended accordingly, ahead of final approval. The Committee was satisfied that all the key events and issues reported to the Board by management had been adequately referenced or reflected within the Annual Report.

The external auditor is required to consider whether there are any material inconsistencies between information presented in different sections of the Annual Report, taking into account the external auditor's knowledge obtained during the audit and the external auditor's understanding of the legal and regulatory requirements applicable to the narrative. The external auditor presented the results of its audit work to the Committee. No material inconsistencies were identified in the audit.

Audit Committee report (continued)

Internal Audit and Coordinated Assurance Plan

The Committee monitors the activity, role and effectiveness of the Group's Internal Audit function and is responsible for the appointment or removal of the Chief Internal Audit Officer. The Committee meets regularly with management, the Chief Risk Officer, the General Counsel, and the Chief Internal Audit Officer to review the effectiveness of internal controls, risk management and compliance processes. This enables the Committee to have comfort that the Group's internal control systems are effective, efficient and operating as required.

An annual Coordinated Assurance Plan, which covers the Internal Audit Plan, the Compliance Monitoring Programme and Risk Reviews, is presented to the Board, with the Internal Audit Plan being presented to the Committee. The Committee reviews and challenges the Internal Audit plan, if necessary, before recommending it to the Board for approval. The annual Coordinated Assurance Plan helps the Board to discharge its responsibilities in respect of oversight of the Group's systems of internal controls and risk management. At the November meeting, the Committee reviewed and recommended the Internal Audit Plan element of the 2026 Coordinated Assurance Plan to the Board for approval.

During 2025, the Committee continued to receive regular updates from the Chief Internal Audit Officer on all Internal Audit matters and reports, and a summary of the changes to the Institute of Internal Auditors Standards. The Committee also reviewed and approved the Internal Audit Charter and the Internal Audit Plan.

The Committee also received updates on the Internal Audit function structure and skills set, and the Committee is satisfied that the Internal Audit function has the relevant experience and expertise for the Group.

External auditor

The Audit Committee has the overall responsibility for overseeing the relationship, performance and fees of the external auditor, KPMG. This includes making recommendations to the Board in relation to its appointment, re-appointment and removal.

The lead Audit Partner attended all Committee meetings during 2025. The Committee has confirmed that it was satisfied that KPMG remained independent and objective throughout the year. In 2025, the Committee reviewed the external auditor's plan for the audit of the Group's financial statements, which included key areas of scope of work, key risks on the financial statements, and the proposed audit fee and terms of appointment.

Effectiveness of the external auditor

The effectiveness of the external auditor is assessed in accordance with a process agreed by the Audit Committee, which involves the completion of a questionnaire by a targeted group which has regular interactions with KPMG. The targeted group includes: the Chief Executive Officer, Chief Financial Officer, Chief Actuary, Financial Controller, and individuals from the business. The Committee was provided with a summary of responses and held a private session to discuss the results to assist with its considerations. Feedback demonstrated some areas for improvement but that KPMG was performing largely as expected.

Appointment of external auditor

The Company's current external auditor is required to rotate following completion of the 2025 year-end audit. In 2024, a process was undertaken to identify a replacement firm, with the candidates being PriceWaterhouseCoopers LLP ("PwC"), Deloitte LLP ("Deloitte") and Ernst and Young LLP ("EY"). The tender process identified PwC as the preferred candidate; however, it was recognised that all three firms were strong and capable of performing the audit.

Following the announcement that the Group was to be acquired by Athora, who would be audited by Deloitte for the financial year ending 31 December 2026, consideration was given to aligning the Group's external auditor to Deloitte rather than proceed with the appointment of PwC. The Committee discussed the benefits of aligning auditors, noting that Deloitte had made changes to address feedback given in the original tender process. Following due consideration, the Committee recommended to the Boards the appointment of Deloitte as the external auditor for the financial year ended 31 December 2026.

Key considerations:

- Benefits of selecting Deloitte included consistency in audit approach and interpretation of accounting standards, improved communication and coordination between parent and subsidiary audit teams, and potential for cost and time efficiencies.
- An assessment of Deloitte's independence confirmed that Deloitte would be independent in time to commence the 2026 year-end audit.
- Potential areas for development identified in the original tender had been addressed.

In respect of audit tendering and the provision of non-audit services, the Group has complied with the provisions of the Competition and Markets Authority's Order for the financial year under review.

Audit Committee report (continued)

Non-audit fees

To ensure the continued independence of the external auditor, the Group has put in place a Non-Audit Services Policy, which is reviewed biennially by the Committee. In 2025, the Committee approved revisions to the policy to reflect the latest Ethical Standards and provide clarity on where sustainability assurance services fall within the cap. The policy places a 70% cap on non-audit services relative to the statutory audit fees, with any fees over £25,000 requiring approval from the Committee. The Committee is satisfied that the Group was compliant with the FRC's Ethical Standard for Auditors and the Code in relation to the scope and maximum permitted level of fees incurred for non-audit work by KPMG during the year.

Board Committee performance review

The Committee's performance was undertaken internally and the overall conclusion was that the Committee operates well.

The majority of questions were scored strongly, with areas for development identified through commentary including the continued review of the remit of the Committee and the continued improvement of Committee papers.



Further information on the Board performance review can be found on **pages 112 and 113**

Looking forward to 2026

A key area of focus for the Committee will be reviewing and approving the Company's application of Athora's financial reporting methodology, assumptions and disclosures for Athora Group reporting, as well as considering if any changes to local IFRS assumptions and methodology to align are appropriate. The Committee will continue to be responsible for monitoring and reviewing all material controls, including operational, reporting, and compliance controls.

Other disclosures

The Chair of the Committee meets periodically with the Group's regulator, the PRA.

Significant issues dealt with throughout the year were:

Area of focus	Actions taken by the Committee
Valuation basis and assumptions	The Committee continued to review and approve the actuarial valuation basis assumptions and methodology for half-year 2025 and year-end 2025 financial reporting. This involved holding in-depth discussions about the proposed changes to PIC's longevity assumptions, including the adoption and parameterisation of the new mortality projections model from the Continuous Mortality Investigation, CMI_2024. The Committee also considered through this review several proposed changes to PIC's expense assumption basis. In addition, the Committee reviewed and approved the results of the actuarial valuation of PIC under the Solvency II and IFRS 17 bases.
Annual written assessment of Group controls, risk management, governance and culture	The Chief Internal Audit Officer presented the annual written assessment of the Group's internal controls, risk management, governance and culture. The Committee reviewed the findings and noted that the findings were broadly similar to last year and aligned to the Committee of Sponsoring Organizations ("COSO") Framework.
External Auditor Appointment	Following the announcement that the Group was to be acquired by Athora, who would be audited by Deloitte for the financial year ending 31 December 2026 and beyond, the Committee considered the advantages and disadvantages of appointing Deloitte as the Group's auditor when KPMG resign. The Committee's considerations focused on: the benefits of aligning the local auditor with the Group; Deloitte's responses to feedback from the recent tender process which concluded in 2024; and ensuring that there were no significant independence concerns. After due consideration of these matters, the Committee recommended the appointment of Deloitte as External Auditor for the financial year ending 31 December 2026 to the PIC and PICG Boards for approval.
Valuation of private investments	The Committee reviewed the framework for investments where valuations are more subjective and unobservable inputs often have a significant impact, requiring the use of models and assumptions rather than observable market prices. In addition, the Committee reviewed the results of the valuation of L2 and L3 Investments through the year-end 2025 financial reporting process.

Investment and Origination Committee report



Committee role and membership

The Investment and Origination Committee (the "Committee") is responsible for overseeing the management of the investment policy and investment strategy for PIC, and providing oversight of the operation of PIC's investment portfolios within the strategic and risk frameworks. It is also responsible for overseeing PIC's new business and reinsurance origination within established strategy and risk frameworks, including conduct risk. In practice, this involves reviewing proposals of investments (including new asset classes), approving entry into new transactions, and overseeing the use of both internal and external fund managers, as well as the use of custodians. The Committee ensures the integration of ESG risks, including climate change, within the investment policy.

The Committee comprises seven NEDs, three of whom are regarded as independent pursuant to the Code and who the Group considers to be free of any relationship that would impact their impartiality in carrying out their responsibilities. The remaining four NEDs are shareholder nominated. During the year, Arno Kitts stepped down as Chair of the Committee and Jérôme Mourgue D'Algue was appointed as Chair.

The Committee held four scheduled meetings and one adhoc meeting. Other than Committee members, other regular attendees at Committee meetings during 2025 included: the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Investment Officer, Chief Origination Officer and the General Counsel.



More detail on the skills and experience of the Committee members can be found on **pages 96 to 101**

Meetings held in 2025

		Scheduled meetings	Meetings attended
Arno Kitts¹ (Chair)	INED	2	2
Jérôme Mourgue D'Algue (Chair)	NED	4	3
Jake Blair	NED	4	4
Julia Goh	INED	4	4
Martin Pike	NED	4	4
Peter Rutland	NED	4	3
Wilhelm Van Zyl	NED	4	4
David Weymouth	INED	4	4

1. Arno Kitts stepped down from the PIC and PICG Boards and the Committee on 30 June 2025.



I am pleased to present the Investment and Origination Committee report for the year ended 31 December 2025.

During 2025, the Committee's core duties remained unchanged and the usual activities relating to investment, new business and reinsurance origination remained in place.

Markets provided challenges during 2025, with tight credit spreads being a particular focus of the Committee, alongside the outlook for growth and market performance in light of geopolitical uncertainty and other potential economic headwinds.

The Committee considered strategic issues over the year such as PIC's Strategic Asset Allocation, medium-term investment strategy, the market outlook in light of the US tariff announcements, and the impact of a developed markets sovereign debt crisis.

The Committee also regularly reviewed the investment performance of the portfolio. The origination pipeline throughout the year continued to grow, and the Committee provided oversight and challenge of the core value metrics for proposed projects.

In 2025, Committee members attended ad hoc meetings to review and discuss in detail larger new business transactions, including the associated asset portfolios. Each transaction was scrutinised and, where applicable, the Committee approved the asset strategy for recommendation to the Board.

Jérôme Mourgue D'Algue

Chair of the Investment and Origination Committee

Investment and Origination Committee report (continued)

Key activities during 2025

The Investment and Origination teams provide the Committee with significant support to help it discharge its responsibilities. The Investment team makes recommendations regarding the Investment Policy and strategy, PIC's hedging exposure, and pricing portfolios for deals. Meanwhile, the Origination team recommends entry into new origination transactions including the pricing aspects.

To support its ongoing work to assess whether assets remain appropriately invested and are in the best interests of policyholders, the Committee reviewed and approved the Investment Policy and updated delegations within the Group's governance framework.

In 2025, the Committee dedicated time to consider and challenge PIC's responsible investment approach and strategy to achieve its Net Zero commitment. Further information on PIC's ESG strategy can be found on pages 61 to 70. Notably, the Committee spent time reviewing:

- PIC's ESG risk exposure of the portfolio and overseeing the progress made on embedding ESG into the day-to-day activities which are under the oversight and remit of the Committee.
- Reviewed and re-approved PIC's Stewardship Policy, which sets out PIC's approach to stewardship within its investment portfolio, including the responsible allocation, management and oversight of capital to create long-term value as we fulfil our purpose.
- PIC's progress on stewardship actions and the first year of implementing its five-year Engagement Strategy. The strategy outlines how we engage with companies in our investment portfolio to promote positive ESG behaviour from corporates, which also reduces risk.
- PIC's proposed approach and drivers to its responsible investment strategy given the recent political backlash against sustainability. The Committee supported PIC's balanced approach which catered to the diverse stakeholder base.

Standard activities during 2025

The following items were reviewed by the Committee:

- Management information from the Chief Investment Officer and the Chief Origination Officer
- Investment and Origination resources including people, systems and processes
- Regular updates on GBP public credit insourcing
- Issues related to tight credit spreads
- Changes to pricing assumptions
- Pricing versus investment outcomes
- Responsible investing
- Portfolio performance
- Critical suppliers of Origination, Operations and Asset Managers

The following items were approved and/or recommended to the Board for approval:

- Liquidity Strategy
- Medium-Term Investment Strategy
- Sustainable Assets Framework
- Strategic Asset Allocation Framework
- Asset strategies for larger transactions
- Transaction Authorisation Schedule
- Investment Policy
- Origination Policy

Board Committee performance review

The Committee's performance review was undertaken internally and the overall conclusion was that the Committee operates well.

The majority of questions were scored strongly, with areas for development identified through commentary including the continued review of the remit of the Committee, the continued improvement of Committee papers, a review of management attendance at meetings, and further strategic discussion prior to key decision making.



Further information on the Board performance review can be found on **pages 112 and 113**

Looking forward to 2026

The Committee will continue to focus on navigating the portfolio through a potentially volatile macro-economic and geopolitical environment. It will also continue to oversee PIC's new business and reinsurance origination, monitor hedging and liquidity, and focus on the development and integration of the Group's ESG capabilities and the achievement against its Net Zero commitment.

The Committee expects to consider a number of larger new business transactions based on the current pipeline for 2026 and is cognisant of potential changes emanating from the acquisition of the Group by Athora.

Nomination Committee report



Committee role and membership

The Nomination Committee (the “Committee”) is responsible for keeping the size, structure and composition of the Board and its Committees under review, assisting the Board with developing robust succession plans for Board and senior executive positions, evaluating the balance of skills, knowledge, experience and diversity, and ensuring that there is a sufficient pipeline of talent to achieve the Group’s strategy within its risk appetite.

The Committee leads the process for Board appointments and makes recommendations to the Board. It also works closely with the Company Secretary to ensure that arrangements are in place for a formal induction programme for new appointees to the Board and identifies ongoing training needs.

The Committee assists the Board with its annual performance review process, and more detail on the 2025 Board Committee performance review can be found in each Committee report.

Tracey Graham joined the Committee at the start of 2025. The Committee comprises five NEDs, three of whom are regarded as independent pursuant to the Code and who the Group considers to be free of any relationship that would impact their impartiality in carrying out their responsibilities. The remaining two NEDs are shareholder nominated.

In 2025, the Committee held two scheduled meetings and five adhoc meetings. In addition to the Committee members, other regular attendees at Committee meetings during 2025 included: the Chief Executive Officer, the General Counsel, the Chief People Officer, and external consultants.

 More detail on the skills and experience of the Committee members can be found on **pages 96 to 101**

Meetings held in 2025

		Scheduled meetings	Meetings attended
David Weymouth (Chair)	INED	2	2
Judith Eden	INED	2	2
Tracey Graham	INED	2	1
Josua Malherbe	NED	2	2
Jérôme Mourgue D’Algue	NED	2	2



I am pleased to present the Nomination Committee report for the year ended 31 December 2025.

The Committee’s main focus in 2025 was the search for a new Chief Executive Officer to replace Tracy Blackwell, who announced her intention to retire. We were pleased to recently announce that Mike Eakins would succeed Tracy, subject to regulatory approval.

In December 2025, we were also pleased to announce that our current Chief Financial Officer, Dom Veney, would take on the role of interim Chief Executive Officer with effect from 1 January 2026, whilst the search for a permanent Chief Executive Officer continued. Dom will continue in that role until Mike starts. Dom Veney was also appointed to the Board of PICG with effect from 1 January 2026.

Additionally, following the announcement of the acquisition by Athora, it was agreed that, subject to completion of the acquisition, representatives of Athora would be appointed to the Boards. A search was also conducted for a new Independent Non-Executive Director to be appointed to replace Jérôme Mourgue D’Algue as the Chair of the Investment and Origination Committee, given he will be unable to continue in that role after the acquisition, due to his position on the Board of Athora. We were pleased to announce that Hitesh Patel would join the PIC and PICG Boards after completion of the acquisition by Athora.

The Committee also spent time discussing executive succession planning, and Rachel Ware, our Financial Controller, was appointed as interim Chief Financial Officer with effect from 1 January 2026, replacing Dom Veney whilst he took on the role of interim Chief Executive Officer.

Throughout the year, the Committee tended to other matters, such as the appointment of Martin Pike as the new Board Sustainability Champion, assisting Board Committees with their annual performance review, approval of various policies, review of the Committee’s terms of reference and an annual review of the Board Diversity Policy and Board diversity targets. It recommended that these remain appropriate to the Boards although the Committee noted the potential impact of Tracy Blackwell’s retirement and the impending changes to the Board following the acquisition of the Group by Athora.

David Weymouth
Chair of the Nomination Committee

Nomination Committee report (continued)

Key activities during 2025

Board composition, independence and tenure

During the year, the Committee reviewed the independence and tenure of the INEDs and concluded that each INED remained independent and continued to make appropriate contributions to the Board. The Committee also considered the future composition of the Board following completion of the acquisition by Athora, expected to complete on or around 27 March 2026. Whilst there will be some changes to the Board due to new ownership, the Chairman and several INEDs will remain on the Board, providing continuity in governance and oversight.

Chairman and Non-Executive Directors' length of tenure

PICG Board

As at 31 December 2025



PIC Board

As at 31 December 2025



● Less than a year ● 1-3 years ● 3-5 years ● 5-9 years

Gender diversity

As at 31 December 2025



● Women 5 = 35.7%
● Men 9 = 64.3%



● Women 4 = 30.8%
● Men 9 = 69.2%

Gender diversity

As at 1 January 2026



● Women 4 = 30.8%
● Men 9 = 69.2%



● Women 3 = 23.1%
● Men 10 = 76.9%

Board succession

During the year, the Committee commenced the search for a new INED to take on the role of Chair of the Investment and Origination Committee and we were pleased to confirm the appointment of Hitesh Patel, who will be joining the PIC and PICG Boards after completion of the acquisition by Athora.

In addition, upon completion of the acquisition by Athora, expected on or around 27 March 2026, our current shareholder nominated Directors will leave the Board and representatives of Athora will join the Board. It has also been agreed that Sally Bridgeland, Julia Goh, and Stuart King will all leave the Boards at this time.

Committee composition

In late 2024, and as part of the Board succession planning and in accordance with its terms of reference, the Committee carried out an annual review of the composition of the Board Committees. As a result of this, Jérôme Mourgue D'Algue assumed the Chair of the Investment and Origination Committee in the first half of 2025, in advance of Arno Kitts stepping down from the Boards at the end of his nine-year tenure. Tracey Graham joined the Audit, Customer and Nomination Committees, effective 1 January 2025, and Martin Pike joined the Audit, Investment and Origination, and Board Risk Committees, also effective from 1 January 2025.

In November 2025, the Committee also discussed and recommended changes to the Board and its Committees that would become effective upon the successful completion of the acquisition of the Group by Athora. This included recommending the forming of a new Board Conflicts Committee, made up of independent Non-Executive Directors, which was established from 1 February 2026. The Conflicts Committee will be 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.

Nomination Committee report (continued)

Executive succession

The Committee plays an important role in overseeing the development of a diverse pipeline of talent for succession to executive and senior management roles within the Group. This remained a key focus during the year with the search for a new Chief Executive Officer.

The search for a new Chief Executive Officer was temporarily postponed as a result of the proposed acquisition of the Group by Athora. The process restarted after a short delay, and in December 2025 we were pleased to announce that Dom Veney would take on the role of interim Chief Executive Officer with effect from 1 January 2026. It has now been confirmed that Mike Eakins will succeed Tracy as the permanent Chief Executive Officer, subject to regulatory approval, with Dom remaining in post until Mike joins.

Succession planning is a critical component in ensuring the long-term success and stability of PIC and goes beyond just leadership positions; it is a strategic process that identifies and develops individuals to become successors for critical roles across different levels within the Group, creating clearer career paths and showcasing inspiring examples of growth and progression. The Committee was updated on progress of the various stages of talent development and succession planning and continued to monitor the available pool of talent within the Group and the development plans for potential leaders.

Standard activities during 2025

- Recommended to the Boards the extension of Directors' contracts.
- Approved the Board Diversity Policy and Board diversity targets.
- Reviewed talent and senior management succession planning.
- Reviewed and approved the Committee terms of reference and its annual planner.
- Reviewed the time commitments of the NEDs.
- Reviewed the Board's tenure and INED independence.

Board Committee performance review

The Committee's performance was reviewed in 2025 and the overall conclusion was that the Committee operates well, with the majority of questions being scored strongly.

Board Chairman performance review

In line with best practice, the Senior Independent Director undertook a performance evaluation of the Chairman with input from the Board which confirmed the Chairman continued to operate with clarity and strategic focus.



Further information on the Board performance review can be found on **pages 112 and 113**

Looking forward to 2026

The Committee will play a leading role in the induction of the new Board and Committee members following the completion of the acquisition of the Group by Athora, ensuring that the Boards are ready for the next phase of the Group's development.

The Committee will also continue to dedicate its time and attention to overseeing the implementation of talent and succession planning.

Remuneration Committee report



Committee role and membership

The Remuneration Committee (the “Committee”) oversees the establishment and implementation of a Remuneration Policy for employees and Directors. The policy is designed to support the long-term business strategy and values of the Group as a whole, as well as promote effective risk management and comply with applicable legal and regulatory requirements.

The Committee also oversees other people matters, which include assisting the Board in its overall responsibility for the development, embedding and measuring of the Group’s culture, monitoring the Group’s diversity and inclusion initiatives, employee engagement and general capacity and capability.

To assist the Committee in fulfilling its responsibilities, it has access to a number of resources including the Chief People Officer, Chief Risk Officer, the HR function, Chairs of the Audit and Board Risk Committees, external remuneration consultants, and input from relevant subject matter experts within the Group.

The Committee is majority independent and comprises six NEDs, four of whom are regarded as independent and the remaining two are shareholder nominated Directors. There were no changes to the Committee’s composition in 2025.

The Committee held six scheduled meetings and five ad hoc meetings. Other than Committee members, other regular attendees at Committee meetings during 2025 included: the Chief Executive Officer, the Chief Financial Officer, the Chief People Officer, and the Head of Compensation and Benefits.

 More detail on the skills and experience of the Committee members can be found on **pages 96 to 101**

Meetings held in 2025

		Scheduled meetings	Meetings attended
Judith Eden (Chair)	INED	7	7
Stuart King	INED	7	6
Josua Malherbe	NED	7	6
Andy Moss	INED	7	7
Peter Rutland	NED	7	6
David Weymouth	INED	7	7



I am pleased to present the Remuneration Committee report for the year ended 31 December 2025.

During 2025, the Committee considered the remuneration arrangements for Tracy Blackwell, who announced her intention to retire, as well as the remuneration arrangements for the interim Chief Executive Officer and interim Chief Financial Officer roles.

In addition, the Committee spent considerable time discussing and deciding upon the remuneration-related implications of the proposed acquisition of the Group by Athora, including the impact that the change of control would have on existing share incentive awards.

The other main activity in 2025 was the undertaking of the Company’s Five-Year Remuneration Review, the outcome of which I have summarised in my report below.

The Committee also tended to its usual remuneration-related activities, which included a review of the Remuneration Policy and management incentive structures, and the monitoring of progress against the remuneration and assurance scorecards.

The Committee also focused its time on other people matters and received reports from the Chief People Officer on the overall progress of initiatives supporting PIC’s People Strategy as well as the continued evolution of the business’ Culture Dashboard.

As in previous years, the Committee considered the valuation of the Group for share-based incentive awards, exercise, and liquidity purposes, obtaining input from independent advisers to support the recommendations to the Board.

As part of our other routine activities, the Committee has reviewed and approved various policies within its remit to ensure these continue to be updated for legislative and regulatory changes and remain reflective of current practices within the Group. The Committee has also considered its terms of reference and the results of the internal Board Committee performance review.

Judith Eden

Chair of the Remuneration Committee

Remuneration Committee report (continued)

Key activities during 2025

The Committee considered and recommended the remuneration arrangements for the outgoing Chief Executive Officer and also made recommendations in relation to the remuneration arrangements for the interim Chief Executive Officer and interim Chief Financial Officer.

The Committee spent considerable time discussing and deciding upon the remuneration impacts of the proposed acquisition of the Group by Athora, including the treatment of existing share incentive awards as a result of the change of control.

The Committee recommended to the Board the payment of dividend equivalents on Deferred Bonus and Long-Term Incentive share awards for all awards granted from 2023 onwards, in relation to dividends paid from 2024 onwards.

The Committee undertook a thorough five-year review of remuneration arrangements, with minor changes being made at this stage. In doing so, the Committee engaged with Athora to understand their position in relation to potential post-acquisition remuneration arrangements to ensure an alignment of approach. Key findings and changes to the remuneration structure emanating from that review were:

- PIC operates an appropriately competitive total remuneration approach;
- the overall structure of the remuneration framework, including the approach to incentives, is appropriate and is comparable to that of the comparator group of firms PIC competes with; and
- the continuous refinements in its incentives approach and risk-adjustment framework remain in line with market practices.

The Committee also dedicated time to wider people matters and received updates from the Chief People Officer on the overall progress of initiatives supporting PIC's People Strategy and the development of a job architecture suitable for PIC at its current size but also scalable for future growth.

Standard activities during 2025

- Conducted an annual remuneration review, including Group performance, risk metrics, bonus pool, salary increases, and the Group's population of Material Risk Takers, making recommendations to the Board as appropriate.
- Discussed and recommended the share valuation for the Company's share schemes, supported by an independent Company valuation.
- Approved and recommended to the Board the Remuneration Policy, Remuneration Policy Statement, NEDs' Expense Policy, and the People Policy.
- Reviewed the results of the gender pay gap analysis and associated reporting.
- Reviewed management information on employee-related matters.
- Received updates on remuneration decisions taken by management under delegated authority from the Board and the Committee.

- Continued to engage with the Risk Adjustment Forum¹ in relation to potential remuneration adjustments in respect of risk, conduct and/or behavioural issues and material risk incidents.
- Reviewed and recommended for approval the Culture Dashboard and received regular updates on culture from the Chief People Officer.

Remuneration consultants and advice to the Committee

During the year, the Committee was originally assisted in benchmarking its remuneration structures and packages by Deloitte, and in the valuation of the Company for vesting of various Group share schemes and management incentive plans by PwC. While Deloitte has been assisting the Committee over recent years and it had been intended for them to continue as the Committee's advisers, the appointment of Deloitte as the Company's new external auditor meant that they could no longer act in that capacity. They ceased providing services in that regard on 31 October 2025, with Korn Ferry being appointed in their place.

No personal connections with remuneration consultants were identified, which ensures independent judgement when evaluating advice from third parties.

In all instances, the Committee exercised independent judgement when evaluating advice from external consultants.

NED remuneration

The table below sets out our policies for NED remuneration and expenses. The NED Expense Policy was approved in November 2025 and is reviewed annually.

Chairman's fees	The CEO, with support from the Human Resources team, review the Chairman's fees on an annual basis and recommend them to the Board for review and approval.
Non-Executive Directors' fees	Fees are reviewed annually by the Chairman of the Board, with support from the CEO and the Human Resources team, who submit their proposals to the Board for review and approval. All NEDs receive a base fee, and additional fees are paid for undertaking the extra responsibilities of Board Chairman; SID; Committee Chair; Committee membership; and certain Board Champion roles.
Benefit	In accordance with the NED Expense Policy, the Group will reimburse the NEDs for all expenses reasonably incurred in the proper performance of their duties as Directors.

1. The Risk Adjustment Forum is a governance forum chaired by the Chief Risk Officer that examines significant risk and conduct events to determine whether remuneration outcomes should be adjusted, and provides structured advice and assurance to the Remuneration Committee.

Remuneration Committee report (continued)

Diversity and inclusion

Throughout the year we have continued to take action that further promotes diversity and inclusion ("D&I") at PIC. The Committee received regular updates from the Chief People Officer on those matters.

Engagement with shareholders

Having shareholder nominated Directors on the Committee allows these shareholders to monitor and safeguard the sustainable growth of the Group through remuneration oversight, ensuring that remuneration does not encourage excessive risk taking but promotes the long-term success of the Group.

Engagement with the workforce

Wider people matters are within the remit of the Committee, as outlined in its Terms of Reference. This is achieved through the sharing of the Chief People Officer report, engagement survey results and related activity, Culture report and People Risk updates, which are provided to both the Committee and the Board periodically. Relevant insights and updates are shared with the Committee and are appropriately taken into account when considering reviews and changes to the Group's Remuneration Policy and practices.

Gender pay gap

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

The PIC median gender pay gap for the year 2025 was 14.4% (FY2024: 16.8%). The PIC mean gap for the year was 9.0% (FY2024: 15.3%). Our gender pay gap is driven by two primary factors:

- 35.2% of our employees are women.
- 25.6% of employees in the upper quartile are women.

We released our UK Pay Gap Report 2025 in March 2026 and it can be found at PIC Gender Pay Group 2025 (pensioncorporation.com).

UK Corporate Governance Code 2024

In determining remuneration arrangements, the Committee aims to ensure that it supports the execution of our strategy and promotes its long-term sustainable success. The Committee also reviews Executive remuneration so that it is aligned to the Group's purpose and values, taking into consideration the wider employees' remuneration and emerging best practice. The table on the right shows how PIC has applied the principles in respect of remuneration in the UK Corporate Governance Code 2024.

The Committee believes that our remuneration arrangements are clear and transparent. Further information on our Remuneration Policy can be found on page 128.

The Committee is mindful of the Code's six principles when determining the Group's Remuneration Policy.

Clarity

- Our Remuneration Policy supports the financial and strategic objectives of the Group and aligns the interests of Executive Directors to those of our shareholders.
- We are committed to transparent communication with all stakeholders, including shareholders see 'Stakeholder engagement' section).

Simplicity

- We operate a simple remuneration structure comprising fixed pay elements along with short- and long-term variable elements. The annual bonus and LTIPs are focused and suitably stretching, whilst rewarding against key metrics of success for the business.
- The structure provides transparency to Executive Directors, shareholders and the wider workforce.

Risk

- Our remuneration packages ensure risk events are reflected in remuneration outcomes. During the year, the Committee approved the Remuneration Policy Statement, which is consistent with and promotes sound and effective risk management. It does not encourage risk taking that exceeds the tolerated risk appetite of the Company.
- LTIPs were introduced in 2021 to incentivise senior executives to deliver long-term sustained performance consistent with the Group's risk appetite.
- Malus and clawback provisions apply to Deferred Bonus and LTIP awards.
- As part of the mid year and full year appraisal process, the entire workforce is assessed against risk management objectives.

Predictability

- The range of possible values of rewards to individual Executive Directors and any other limits are explained at the time of approving the Remuneration Policy.

Proportionality

- Individual awards are based on performance against a range of non-financial and financial measures, including risk performance and achievement of key strategic objectives during the year.
- The Committee has the discretion to adjust the incentive elements of remuneration packages.

Alignment to culture

- Our incentive schemes drive behaviours consistent with the Company's purpose, values and strategy.

Remuneration Committee report (continued)

Remuneration Policy

The Group's Remuneration Policy is designed to enable the Group to recruit, retain and motivate employees of the appropriate calibre to deliver its strategy over the long term. The policy is intended to be consistent with and promote sound and effective risk management, and to ensure that it does not encourage risk taking that exceeds the tolerated risk appetite of the Company. A description of the different remuneration elements for 2025 is set out below.

Base salary	Salaries are reviewed annually and are set to be market competitive, taking into account the individual's skills, as well as the size and scope of their role and that of the Group. Salaries are set at such a level that employees are not overly dependent on variable pay and they allow the Group to operate a fully flexible bonus policy.
Benefits	The following benefits are offered to all permanent employees: private health cover; critical illness and income protection; annual travel insurance; interest-free loans (up to £10,000) for season tickets; Cycle to Work scheme; and parental leave.
Pension	All employees who meet the minimum criteria are automatically enrolled in the WorkSave Pension scheme. Employees who have reached their lifetime or annual allowance limit for pensions for tax purposes may receive a cash alternative in lieu of the Group's contribution that otherwise would have been made under the WorkSave Pension arrangement.
Annual bonus	The annual cash bonus, expressed as a percentage of salary, is subject to performance measured in respect of the relevant financial year against financial, customer service and risk management measures. All employees are eligible and the opportunity depends on their role and responsibilities. While the cash element of the bonus is paid upfront, for material risk takers at least 40% of annual bonuses are subject to deferral over a three-year period. For material risk takers, individual bonus payments are determined by the Remuneration Committee based on a review of both financial and strategic measures and assessment of individual performance over the year, including a review of individual performance against risk management objectives by the CRO. For Solvency II identified staff in assurance functions, at least 75% of the annual bonus award is based on the achievement of objectives related to the individual's assurance function. The remaining 25% relates to the performance of the Group. Awards for this population are subject to a prevailing affordability underpin, and no bonuses will be paid if overall financial performance is not sufficient to fund awards. The CRO, with input from the Board Risk and Audit Committees, assesses the performance of the year against the Group's risk appetite and behaviours and attitude to risk and compliance. If the performance has been achieved by exceeding the Board and Risk Committee approved risk appetite of the Group, the bonus pool and/or individual outcomes may be adjusted downwards, potentially to zero. Performance against all of the above measures is assessed by the Remuneration Committee in the round.
Deferred Bonus Share Plan	The Deferred Bonus Share Plan seeks to align the long-term interests of the Group for all senior management and other key individuals through bonus deferral. The deferred element has historically been awarded in the form of nil cost options which vest after three years. For Solvency II identified staff, a minimum of 40% of any bonus award is deferred. As a result of the proposed acquisition of the Group by Athora and the impact of the Change of Control on the Company's share plans, bonus deferrals in 2026 (for awards granted in relation to performance year 2025) will be made in the form of deferred cash awards.
Long Term Incentive Plan	Selected senior individuals were invited, at the discretion of the Remuneration Committee to receive LTIP share awards. These individuals are those tasked with delivering PIC's long-term strategic goals and to generate long-term shareholder value. LTIP awards vest after a three-year period, subject to the achievement of performance conditions, and a solvency and risk management underpin. Awards to the Executive Committee members also have a further retention period of up to two years. It is intended for a new LTIP to be launched following the completion of the acquisition of the Group by Athora.
Malus, clawback and in-year adjustment	Any bonus, including annual bonus, deferred bonuses, and LTIP awards can be adjusted by the Remuneration Committee by applying malus, clawback and in-year adjustment provisions as determined in the relevant scheme rules. This includes, but is not limited to: • an event of significant financial losses or material misstatement of the accounts; • material failure of risk management; • discovery of a material error in relation to the assessment of annual performance on which an award was based; or • reasonable evidence of any act or omission by the participant which has contributed to material losses or serious reputational damage to the Group or any business area, or has amounted to serious misconduct, fraud or misstatement.

Remuneration Committee report (continued)

Board Committee performance review

A review of the Committee's performance was undertaken internally and the overall conclusion was that the Committee operates well.

The majority of questions were scored strongly, with areas for development identified through commentary including the continued improvement of Committee papers and ensuring that there is sufficient time to consider broader people issues in more depth.



Further information on the Board performance review can be found on **pages 112 and 113**

Looking forward to 2026

The Committee will work with representatives from Athora on the transition from the existing Deferred Bonus and Long-Term Incentive Plan Awards to new arrangements, as well as the development of remuneration-related performance metrics, to ensure that the non-financial and financial performance metrics remain aligned to PIC's strategic objectives and sustainability goals.

The Committee will also continue to focus on people-related initiatives, including diversity and inclusion, workforce planning, the ongoing review of job architecture, employee engagement results, and the actions that have been taken by executives to address issues. The Committee will continue to assist the Board in monitoring PIC's culture through the Culture Dashboard.

Board Risk Committee report



Committee role and membership

The Board Risk Committee (the "Committee") is responsible for providing oversight and advice to the Board in relation to the current, emerging, and potential risk exposure, risk tolerance, and future risk strategy of the Group, and recommending the overall risk appetite to the Board.

The Committee also has responsibility for monitoring the effectiveness of the Enterprise Risk Management ("ERM") Framework, which includes oversight of the Internal Model. Following an expansion of the Chief Risk Officer's remit in December 2024 to include responsibility for Compliance and Financial Crime, the Committee has assumed oversight of compliance matters from the Audit Committee. The scope of the Committee's work is designed to help the Board deliver the Group's strategic objectives of long-term value growth, being a responsible corporate citizen, and making sure the Group is secure and sustainable.

The Committee comprises six NEDs, five of whom are regarded as independent ("INEDs") pursuant to the Code and who the Group considers to be free of any relationship that would impact their impartiality in carrying out their responsibilities. The remaining NED is shareholder nominated. Arno Kitts stepped down as a Director and member of the Committee on 30 June 2025.

The Committee held five scheduled meetings and five ad hoc meetings which were either deep dives, technical sessions, or briefings on a variety of topics. The Chief Risk Officer attended all meetings, and other regular attendees at the Committee's meetings during 2025 included the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the Chief Investment Officer, the Chief Operating Officer, the General Counsel, the Chief Actuary, the Actuarial Function Holder and the Chief Internal Audit Officer. There is an overlap of membership of the Committee with the membership of the Audit Committee to ensure effective coordination and oversight across



More detail on the skills and experience of the Committee members can be found on [pages 96 to 101](#)

Meetings held in 2025

		Scheduled meetings	Meetings attended
Sally Bridgeland (Chair)	INED	5	5
Judith Eden	INED	5	4
Stuart King	INED	5	5
Arno Kitts¹	INED	3	3
Andy Moss	INED	5	5
Martin Pike	INED	5	5
Wilhelm Van Zyl	NED	5	5

1. Arno Kitts stepped down from the PIC and PICG Boards and the Committee on 30 June 2025.



I am pleased to present the Board Risk Committee report for the year ended 31 December 2025.

During 2025, the Committee continued to focus on its primary role of providing oversight and advice to the Board on the current, emerging, and potential risks to the viability and future strategy of the Group. This has provided assurance to the Board that the Group's Enterprise Risk Management Framework continues to be effective and robust.

The Committee spent a significant amount of time considering the potential impacts that the acquisition of the Group by Athora will have on the risk profile of the Group, and the Committee will continue to monitor those risks in 2026.

The Committee also spent a significant amount of time:

- discussing the risks and mitigations associated with the full scheme buyout of the Rolls-Royce Pension Scheme;
- reviewing the Group's Matching Adjustment Methodology, results at year end 2024 and individual Attestation; and
- assisting the Remuneration Committee in its recommendation to the Board on the remuneration process, ensuring that risk management was properly considered in setting performance objectives within the incentive structure, the Remuneration Policy, and remuneration awards.

The other matters considered by the Committee in 2025 are set out in the remainder of this report, with further detail on PIC's approach to risk management being set out on pages 80 to 89.

Sally Bridgeland

Chair of the Board Risk Committee

Board Risk Committee report (continued)

Key activities during 2025

Operational resilience

The Committee continued to consider the Group's operational resilience and recommended the Operational Resilience Self-Assessment to the Board for approval. The Committee also received updates on operational risk incidents, reviewing any themes arising from them.

Internal Model

The Committee received regular updates on the Internal Model ("IM") Roadmap and recommended minor changes to the IM objectives to the Board. It also reviewed the IM Validation Report, the IM Consolidated Annual Report, and the 2025 IM Development and Validation Plan.

ORSA Report

The Committee considered the output from the ORSA process and recommended the 2024 ORSA Report and the 2025 ORSA Plan to the Board for approval. The ORSA Report provides an assessment of the effectiveness of the Group's Risk Management Framework, allowing the Board to challenge where further enhancements can be made. It undertakes a forward-looking risk assessment and an overview of key areas of risk and their potential impact on the business model, which is partially informed through a programme of financial and operational Stress and Scenario Testing ("SST"). The SST is a key component of the ORSA and helps to provide comfort to the Committee and the Board that even in severe but plausible downside scenarios, PIC has appropriate financial resources or management actions to maintain financial resilience.

Recovery and Solvent Exit Plan

The Committee considered and recommended the updated Recovery and Solvent Exit Plan and Playbook to the Board for approval.

Liquidity management

The Committee provided oversight of liquidity and solvency risk and reviewed and recommended the solvency and liquidity risk appetite framework and assessment to the Board for approval.

Life Insurance Stress Test ("LIST") 2025

The Committee reviewed and approved the Group's LIST submission to the PRA for 2025.

ESG and climate risk

The Committee considered the results of the climate change SST.

Funded Reinsurance ("Funded Re")

The Committee considered various matters relating to Funded Re, including the approval of a Recapture Plan, Collateral Policy, Contractual risk limit, and minimum guidelines on the contractual features framework.

Compliance and Financial Crime

The Committee assumed oversight of compliance and financial crime following the transition of Compliance responsibilities to the Chief Risk Officer in December 2024. It considered and approved the Compliance and Monitoring Plan updates for 2025 and recommended the proposed Risk and Compliance Plan for 2026 to the Board for approval as part of the 2026 Coordinated Assurance Plan.

Board Risk Committee report (continued)

Standard activities during 2025

Risk strategy, appetite and policy

- Considered and recommended Board-level risk appetite statements, the Operational Risk Appetite, and the updated impact likelihood matrix to the Board for approval.
- Reviewed PIC's Risk Appetite Framework and made recommendations to the Board on its continued evolution. During 2025, all risk appetite statements, tolerances and metrics were reviewed to ensure they remained appropriate.
- Reviewed and approved updates to the Group's new business risk appetites.
- Reviewed and approved the Risk function strategy and plans for 2026.
- Reviewed and recommended the Group's updated risk taxonomy to the Board for approval.

Risk oversight and monitoring

- Received updates on the Group's top risk areas and their assessment both on a forward- and backward-looking basis.
- Received updates on emerging risks and their potential impact on the Group.
- Reviewed risk incident trends, material incidents and improvement plans.
- Received an update on the strategic review of the operating model, capability, and capacity of the Investment and Counterparty Risk team.
- Reviewed the Actuarial Function Holder's opinion on the 2024 Underwriting Policy and the adequacy of the 2024 reinsurance arrangements of PIC's insurance undertaking.
- Reviewed the results of a risk maturity assessment of the business and how much these would be integrated into key projects and processes as part of the risk maturity model to assess and aid PIC's development across key risk and governance areas.
- Reviewed planning and progress on the implementation of the Investment Platform Programme ("IPP") and considered an assessment of the risk impact to the business.
- Received updates on regulatory developments and interactions with regulators.

Governance

- Reviewed the performance of the Risk function and was satisfied that it continued to operate effectively and in accordance with its mandate.
- Reviewed the Committee's terms of reference ("TOR") and 2025 annual planner, and recommended changes to the TOR to the Board for approval.
- Reviewed and approved the Risk Function Mandate and various policies within the Committee's remit.

Board Committee performance review

The Committee's performance review was undertaken internally and the overall conclusion was that the Committee operates well.

The majority of questions were scored strongly, with areas for development identified through commentary including the continued improvement of Committee papers, the frequency of meetings, and a review of management attendance at meetings.



Further information on the Board performance review can be found on **pages 112 and 113**

Looking forward to 2026

In 2026, the Committee will have a strong focus on enhanced oversight of the acquisition of the Group by Athora as well as the progress on other key initiatives, such as the IPP.

Directors' report

The Directors' report for the year ended 31 December 2025 comprises pages 133 to 137 of this report, together with sections of the Corporate Governance report set out on pages 102 to 113, which are incorporated by reference into this report and should be read as part of this report.

Corporate Governance statement

The Board and executive management are committed to high standards of corporate governance and in following the principles of the Code, because they believe that these underpin and promote the success of the Company for the benefit of its shareholders and stakeholders. The Company has applied all the principles and most of the provisions of the Code. Further details about the Company's application of the Code can be found in the Corporate Governance report on page 103.

In addition, the Group's subsidiary, Pension Insurance Corporation plc, has listed securities in issue and complies with its ongoing obligations, including as regards governance, under the FCA's Disclosure and Transparency Rules and Listing Rules and the Global Exchange Market's Listing and Admission to Trading Rules for Debt Securities. Further information on the Company's governing body and its Committees is included in the Corporate Governance report on pages 102 to 137.

PICG Directors and their interests

The Directors who served during the period and up to the date of the approval of these financial statements were:

Name	Position	Appointed/Resigned
David Weymouth	Chairman	
Tracy Blackwell CBE	Chief Executive Officer	Resigned 31 December 2025
Jake Blair	Director	
Judith Eden	Director	
Tim Gallico	Director	
Julia Goh	Director	
Tracey Graham	Director	Appointed 1 January 2025
Stuart King	Director	
Arno Kitts	Director	Resigned 30 June 2025
Josua Malherbe	Director	
Andy Moss	Director	
Jérôme Mourgue D'Algue	Director	
Martin Pike	Director	Appointed 1 July 2025
Wilhelm Van Zyl	Director	
Dom Veney	Interim Chief Executive Officer	Appointed 1 January 2026

One Director who held office during the financial year is a beneficiary of the Company's share-based award schemes, details of which are given in Note 7 to the financial statements. This Director acquired 354,446 ordinary shares of the Company upon vesting of certain schemes during the year (2024: one Director acquired a total of 284,950 ordinary shares).

Directors' and officers' indemnities

The Articles of Association of the Company provide for the Directors and officers of the Company to be indemnified in respect of liabilities incurred as a result of their office. The Company also provides certain forms of protection for its Directors and senior managers of companies within the Group against personal financial exposure that they may incur in their capacity as such. During the year and at the time the Directors' report was approved under section 234 of the Companies Act 2006, this protection included qualifying third-party indemnity provisions (as defined under section 234 of the Companies Act 2006) in force for the benefit of the Company's Directors.

Share capital and major shareholders

Details of the Company's share capital, including changes during the year in the issued share capital and details of the rights attaching to the Company's ordinary shares, are set out in Note 20 to the financial statements. The following are the major shareholders of PICG as at 31 December 2025:

	No of ordinary shares held as at 31 December 2025	% of the issue ordinary share capital as at 31 December 2025
Reinet PC Investments (Jersey) Limited on behalf of Reinet Investments S.C.A.	660,381,700	49.49
Luxinva S.A. on behalf of ADIA	245,710,540	18.42
Blue Grass Holdings Limited on behalf of CVC	231,825,290	17.37
MP 2019 K2 Aggregator, L.P. on behalf of HPS	136,508,422	10.23

Own shares

At 31 December 2025, 8,857,572 ordinary shares of the Company were held in an Employee Benefit Trust (2024: 9,650,852), in accordance with the Accounting Policy in Note 7 to the financial statements.

Dividends

During the year, the Board approved the total dividends of c.£520 million to shareholders, made up of: (i) the payment of the 2024 final dividend of £160 million, which equated to 12 pence per ordinary share, paid in May 2025; (ii) the payment of a special dividend of £200 million, which equated to 15 pence per ordinary share, also paid in May 2025; and (iii) an interim dividend of £160 million, which equated to 12 pence per ordinary share, paid in September 2025.

Directors' report (continued)

Statement on the Company's business relationships with suppliers, customers and others

Information on how the Directors have had regard to the need to foster effective business relationships with suppliers, customers and others, including detail on how they have discharged their duty under s.172 of the Companies Act 2006, is included in the Strategic Report on pages 50 to 55.

Any payments to suppliers are made through the service company, Pension Services Corporation Limited ("PSC") and the required disclosures on policy and practice on payment of creditors are included in the PSC Annual Report and Accounts.

Material contracts

During the year, PSC, a UK limited company that is an indirect subsidiary of PICG, continued to provide management, staff, IT and office services to the Group under a defined service agreement.

Future developments

The information that fulfils the reporting requirements relating to the likely future developments in the business of the Company is included in the Strategic Report, which is separate to this Directors' report.

Financial instruments

The information relating to the Company's financial instruments is included in Note 13 to the financial statements.

Auditor

In accordance with section 489 of the Companies Act 2006, KPMG was reappointed as auditor for the financial year ending 31 December 2025 at the Annual General Meeting (the "AGM") of the Company held on 24 March 2025.

As a result of the Company's current auditor being required to rotate following completion of the 2025 year-end audit, the Boards have approved that Deloitte LLP be appointed as the Auditor for the financial year ended 31 December 2026. The appointment is subject to shareholder approval in 2026.

More information on the appointment of the external auditor can be found in the Audit Committee Report on pages 116 to 119.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Internal controls and risk management system

Section 4 of the Code sets out the requirements in relation to audit, risk and internal controls. The Board has overall responsibility for the system of risk management and internal controls, and for reviewing its effectiveness. The Board has delegated responsibility for monitoring this system and reporting on its effectiveness to the Board to the Audit Committee and the Board Risk Committee. Throughout the year, the Audit Committee and Board Risk Committee received and reviewed regular management reports in relation to internal controls and risk management to assure themselves that the processes in place remain effective.

Each year, the Board approves a Coordinated Assurance Plan which is intended to provide the Board with assurance that the internal controls and risk management systems work effectively. The plan is devised by the Internal Audit, Compliance, Risk and Actuarial functions within the Group and is overseen by the Audit and Board Risk Committees as part of their delegated authority from the Board. The overlap in membership of those two committees ensures that all areas of the system are adequately covered.

The Board Risk Committee is responsible for exercising oversight, on behalf of the Board, of the key risks of the Group. It reviews the Group's Risk Appetite Statement and Enterprise Risk Management ("ERM") Framework and makes recommendations to the Board. The Audit Committee is responsible for oversight and giving advice to the Board on matters relating to financial reporting and it will review the Group's internal controls, including internal financial controls.

The performance of the Group's businesses is reported regularly to senior management and the Board. Performance trends and forecasts, as well as actual performance against budgets and prior periods, are monitored closely. Financial information is prepared using appropriate accounting policies, which are applied consistently.

Directors' report (continued)

Internal controls

The Group's risk management and internal controls system is designed to manage rather than eliminate the risk of failure to achieve business objectives. An internal control system can provide reasonable but not absolute assurance against material misstatement or loss.

The Audit Committee reviews the Group's internal control systems and both the Audit Committee and the Board Risk Committee receive updates on the findings of Internal Audit's investigations. Any significant matters are reported to the Board, which retains overall responsibility for the effectiveness of the full scope of internal controls across the Group. A description of the key activities in respect of internal controls covered by the Audit Committee is provided in the report on pages 116 to 119.

The audit programme includes obtaining an understanding of the processes and systems under audit review, evaluating the design of controls, and testing the operating effectiveness and outcomes of key controls. The Chief Internal Audit Officer reports regularly to the Audit Committee and the Board Risk Committee.

The Chief Internal Audit Officer has reporting lines to the Chair of the Audit Committee, the Audit Committee, the Executive Committee and the Board and directly reports to the Chief Executive Officer.

The Board is fully committed to ensuring that the Group's internal controls and risk management systems are in line with best practice and address any new requirements within the expected time frames.

Risk management

The Board has overall responsibility for setting the Group's risk appetite and ensuring that there is an effective Risk Management Framework in place. It has delegated responsibility for review of the risk management methodology and system to the Board Risk Committee.

Risk management is integrated into the Group via the ERM Framework. This framework comprises PIC's system of governance, policies, the Risk Appetite Framework and the application of the risk management system. The ERM Framework provides a robust assessment of all of the principal risks, topical and emerging risks, and integrated risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The Board Risk Committee reviews the processes for, and outputs from, the Group's ERM activity, through which the Group's key risks and related controls are identified, evaluated and managed. It also reviews the effectiveness of the risk management system on behalf of the Board and keeps under review ways in which the control and assurance arrangements can be enhanced. A Management Risk Committee assists the Board Risk Committee in reviewing the risk management system and undertaking reviews of assurance risk reports prior to Audit and Board Risk Committee meetings.

In 2025, the Board Risk Committee approved a new risk taxonomy and also reviewed PIC's Risk Appetite Framework and made recommendations to the Board on its continued evolution. The Board Risk Committee continued to discuss emerging risks and their potential systemic impact, and reviewed and suggested further refinements to the Group's emerging risks dashboard.

Further details of the Group's risk management systems and controls in place to manage its key risks can be found in the Strategic Report on pages 80 to 89. Additionally, the Board Risk Committee report describes the main activities undertaken in respect of risk strategy, appetite, policy, and risk oversight and monitoring, and these are outlined on pages 130 to 132.

Conclusion on internal controls and risk management

The Audit Committee and Board Risk Committee are pleased to confirm they were able to provide the Board with assurance that the Group's internal controls systems and risk management procedures remain effective.

The Board has reviewed the effectiveness of the system of internal controls and risk management, for the year ended 31 December 2025 and up to the date of signing of these financial statements and the Annual Report. The Board believes that the internal control and risk management systems of the Company remain effective and it has not identified weaknesses sufficient to cause material misstatement or loss which requires disclosure in the financial statements.

Directors' report (continued)

Employee engagement and policies

Details of how the Company has engaged with employees during the year can be found in the "Our people and culture" and "Stakeholder Engagement" sections of the Strategic Report section of this report. In addition, details of how the Board has considered the interests of the Company's employees in key decision making can be found in the s.172 statement included in the Strategic Report.

The Company is committed to keeping employees informed of the performance of PIC and this is achieved through regular updates from the Chief Executive Officer and senior management through Town Halls and Company-wide away days. These facilitate a two-way dialogue between the Executives and PIC's employees.

PIC gathers the views of its employees through formal and informal engagement methods that take place throughout the year. PIC's annual employee engagement survey asks employees how they feel about working at PIC and if the values and culture are reflected in the Company's ways of working and working practices. The Board also receives regular updates from the Chief People Officer, which include employee issues and an update on the annual employee survey. PIC recognises the critical role that its senior management continue to play in engaging with employees across the Company and ensuring that they are kept up to date on key business developments related to our performance and strategy.

Diversity and inclusion

PIC believes that having and maintaining a diverse and inclusive workforce is a key factor for it to be a successful business. PIC's Equal Opportunities, Diversity and Inclusive Behaviours Policy aims to promote a consistent and fair approach to employment, and this stems from our values and capability framework. PIC's approach is to go beyond the requirements of the Equality Act 2010, and PIC believes in consistency and fairness across all people policies, procedures and practices.

PIC seeks to ensure that every employee is treated equally and fairly, in a working environment free from bullying, harassment and discrimination, and it is a place where our employees are proud to work. PIC recruits and promotes the best person for each role, based on objective job-related criteria with due regard for their qualifications and experience.

PIC actively encourages the development of all employees to enable them to reach their full potential. The Equal Opportunities, Diversity and Inclusive Behaviours Policy outlines the Group's approach to training and progression. PIC actively encourages all employees to maintain, develop or increase knowledge, for the purpose of maintaining a high standard of professional practice. All employees are required to complete a minimum of ten hours of Continuing Professional Development every year and employees are encouraged to take advantage of the learning and development opportunities available via PIC Learning or external courses, where appropriate.

Employees with disabilities

The Group is an equal opportunities employer and welcomes applications from all individuals, including those with a disability. We are fully committed to supporting applications made by disabled persons and make reasonable adjustments to their environment where possible (having regard to their particular aptitudes and abilities). We are also responsive to the needs of our employees. As such, should any employee become disabled during their time with us, we will actively re-train that employee and make reasonable adjustments to their environment where possible, in order to keep them in employment with us. We encourage all employees to take advantage of the learning and development opportunities available. All training applications are assessed on how this will benefit the individual and the Group. This assessment includes training in their current role, career progression and/or promotion.

Directors' report (continued)

Other disclosures

Political donations

The Company made no political donations during the year (2024: £nil).

Overseas branches

The Group does not have any branches outside the United Kingdom.

Greenhouse gas ("GHG") emissions

In accordance with Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 and Companies Act 2006 (Strategic Report and Directors' Report) Regulations, we are required to report on our GHG emissions including our UK energy use and carbon emissions. The information in the table below represents the GHG and energy use for which PIC is responsible:

	Current reporting period (UK and offshore)	2024 reporting period (UK and offshore)
Total energy consumption used to calculate emissions in kWh	857,501	1,257,735
Emissions from combustion of gas in tCO ₂ e (Scope 1)	67.0	30.9
Emissions from purchased electricity in tCO ₂ e (Scope 2, location-based)	87.0	225.3
Emissions from purchased energy in tCO ₂ e (Scope 2, market-based)	—	414.6
Total location-based gross tCO ₂ e based on above	154.0	256.3
Total market based gross tCO ₂ e based on above	67.1	445.5
Intensity ratio: gross tCO ₂ e/floor area	0.03	0.04
Intensity ratio: gross tCO ₂ e/full-time equivalent	0.23	0.43

Reporting terminology definitions

Scope 1: Direct emissions that are owned and controlled by the Company.

Scope 2: Emissions that are a consequence of the operations of the Company.

Intensity ratio: GHG impact per unit of physical activity or unit of economic value.

Reporting period

Our GHG reporting period is the same as our financial year: 1 January to 31 December 2025.

Methodologies

The data detailed in this table represents emissions and energy use for which Pension Insurance Corporation Group Limited is responsible. To calculate our emissions, we have used the main requirements of the Greenhouse Gas Protocol Corporate Standard, along with the UK Government GHG Conversion Factors for Company Reporting 2025 for Scope 1 and location-based Scope 2 emissions. We have calculated our emissions for 2024 and 2025 in line with our financial years. Electricity estimates included in our totals are derived from actual data in the same reporting period. Natural gas consumption is estimated based on actual data for floors occupied by PIC within our office building. We do not have any fuel used for company travel to report.

Actions

In December 2024, PIC moved into a new office at 22 Ropemaker Street, London. The newly constructed building has sustainability embedded in its design and fit-out, and has received a certification of BREEAM Outstanding. Features include recovery of the building's waste heat, enhanced metering to reduce energy use, and LED lighting with daylight and presence detection. This has led to a significant reduction in our total energy consumption for 2025, and our market-based Scope 2 emissions have now reduced to zero due to the renewable energy supply of the building.

Going concern and viability

After making enquiries, including specific consideration of regulatory solvency, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors have also given consideration to the proposed purchase of the Group by Athora and do not believe that this will have an adverse impact on the ongoing operations of the Group. For this reason, they continue to adopt the going concern basis in preparing the financial statements. More details on the transaction can be found on page 12 (Introduction to Athora) or on the going concern assessment on page 147 (Note 1 "Accounting Policies").

On behalf of the Board



David Weymouth

Chairman
22 Ropemaker Street, London EC2Y 9AR

17 March 2026

Statement of Directors' responsibilities

Statement of Directors' responsibilities in respect of the Annual Report, the Strategic Report, the Directors' report and the financial statements

The Directors are responsible for preparing the Annual Report, the Strategic Report, the Directors' report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law, they have elected to prepare the Group and the Company financial statements in accordance with UK-adopted international accounting standards and applicable law, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the Group's profit or loss for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under provision 27 of the UK Corporate Governance Code, the Directors are responsible for preparing the Annual Report and accounts and consider them, taken as a whole, to be fair, balanced and understandable, providing the information necessary for shareholders to assess the Group and Company's position, performance, business model and strategy.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board



David Weymouth
Chairman
22 Ropemaker Street, London EC2Y 9AR

17 March 2026

Financial Statements.

140	Independent Auditor's Report
143	Statement of comprehensive income for the Group
144	Statement of financial position for the Group
145	Statement of changes in equity for the Group
146	Group statement of cash flows
147	Notes to the financial statements
203	Statement of financial position for the Company
204	Statement of changes in equity for the Company
205	Company statement of cash flows
206	Notes to financial statements of the Company
209	Alternative performance measures
210	Glossary

Independent Auditor's Report

To the members of Pension Insurance Corporation Group Limited

Opinion

We have audited the financial statements of Pension Insurance Corporation Group Limited ("the Company") for the year ended 31 December 2025 which comprise the Statement of Comprehensive Income for the Group, the Group and Company Statements of Financial Position, the Group and Company Statements of Changes in Equity, the Group and Company Statement of Cash Flows and related notes, including the accounting policies in Note 1, except for the information marked as unaudited.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2025 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period. This is inclusive of consideration for the anticipated purchase of the Group and Company by Athora Holding Ltd.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified, and concur with the Directors' assessment that there is no material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, the Audit Committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Audit Committee, Risk Committee, Investment Committee, Credit Rating Committee, and Models and Assumption Committee minutes.
- Considering remuneration incentive schemes and performance targets for management and Directors.
- Assessing the effect of the share purchase agreement with Athora Holding Ltd. on the preparation of the financial statements.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet financial targets, we perform procedures to address the risk of management override of controls, in particular, the risk that Group management may be in a position to make inappropriate accounting entries.

We also identified fraud risks related to the valuation of insurance contract liabilities and valuation of private investments in response to the possible pressures on management to meet the financial targets.

Independent Auditor's Report (continued)

To the members of Pension Insurance Corporation Group Limited

For insurance contract liabilities, the risk relates to the particularly judgmental assumptions of base mortality, mortality improvements, expenses including maintenance expenses and credit risk allowance. We involved actuarial specialists to assist in our challenge of management. Our procedures in relation to this fraud risk included challenging the key assumptions in relation to the selection of these assumptions and the appropriateness of the rationale for any changes, the consistency of the selected assumptions across different aspects of the financial reporting process and comparison to our understanding of the business, trends in experience, policyholder behaviour and economic conditions and also by reference to market practice.

For valuation of private investments, the risk relates to the internal credit ratings assumptions. We engaged our credit rating specialists to assess the appropriateness of the internally assigned credit ratings.

We have rebutted the presumed fraud risk in relation to revenue recognition on the basis that, under IFRS 17, any judgement is in the choice of coverage unit methodology used to unwind the Contractual Service Margin ("CSM"), which is unchanged from that found to be appropriate in prior periods.

To address the fraud risk as it relates to management override, we also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those including specific words based on our risk criteria, those posted to seldom used accounts, those entries containing significant estimates posted at the end of the period (period-end adjustments).

Identifying and responding to risks of material misstatement related to compliance with laws and regulations:

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: GDPR compliance, Health and Safety legislation, Employment and Social Security legislation, Fraud, Corruption and Bribery legislation, Misrepresentation act, Environmental protection legislation, including Emissions trading & Capital Change Act 2008, anti-bribery, regulatory capital and liquidity, and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect a breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent Auditor's Report (continued)

To the members of Pension Insurance Corporation Group Limited

Strategic report and Directors' report

The Directors are responsible for the Strategic Report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 138, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

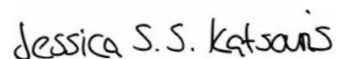
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Jessica Katsouris (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP, 15 Canada Square, London, E14 5GL

17 March 2026

Statement of comprehensive income for the Group

for the year ended 31 December 2025

	Note	2025 £m	2024 £m
Insurance revenue	2	2,804	2,382
Insurance service expense	2	(2,355)	(2,131)
Net expense from reinsurance contracts held	2	(139)	(58)
Insurance service result		310	193
Total investment return/(loss)	3	2,789	(1,166)
Net finance (expense)/income from insurance contracts	3	(2,729)	1,918
Net finance income/(expense) from reinsurance contracts	3	310	(253)
Net financial result		370	499
Other operating expenses	4	(217)	(197)
Other finance costs		(129)	(124)
Profit before taxation		334	371
Tax charge	8	(78)	(87)
Profit and total comprehensive income for the year		256	284

The amounts shown above are in respect of continuing operations.



The accounting policies and notes on **pages 147 - 202** form an integral part of these financial statements.

Statement of financial position for the Group

as at 31 December 2025

	Note	31 December 2025 £m	31 December 2024 £m
Assets			
Property, plant and equipment	10	19	22
Right of use assets	11	30	35
Investment properties	12	900	805
Financial investments	13	45,677	43,095
Pledged financial investments	13	9,116	7,837
Total financial investments		54,793	50,932
Derivative and other financial assets	14	29,395	28,869
Deferred tax assets	15	250	288
Current tax assets		3	13
Reinsurance contract assets	16	3,793	2,036
Prepayments		10	9
Receivables	13	129	36
Cash and cash equivalents	13	652	631
Total Assets		89,974	83,676
Equity			
Share capital	20	2	2
Share premium	22	873	873
Treasury shares and share-based payment reserve	22	(7)	(16)
Other reserves	22	1,089	1,089
Retained profit	22	1,627	1,920
Total Equity attributable to shareholders		3,584	3,868
Tier 1 notes	21	444	444
Total Equity		4,028	4,312
Liabilities			
Insurance contract liabilities	16	50,570	44,303
Borrowings	17	2,064	2,062
Lease liabilities	11	41	39
Derivative and other financial liabilities	14	33,054	32,762
Other payables	13	18	17
Accruals	13	199	181
Total Liabilities		85,946	79,364
Total Equity and Liabilities		89,974	83,676



The accounting policies and notes on **pages 147 - 202** form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 17 March 2026 and were signed on its behalf by:

Dominic Veney

Director

Registration number: 09740110

Statement of changes in equity for the Group

for the year ended 31 December 2025

		Share capital	Share premium	Treasury shares and share-based payment reserve	Other reserves ¹	Retained profit	Total shareholders' equity	Tier 1 notes	Total Equity
	Note	£m	£m	£m	£m	£m	£m	£m	£m
31 December 2025									
At beginning of year		2	873	(16)	1,089	1,920	3,868	444	4,312
Total comprehensive income									
Profit for the year		—	—	—	—	256	256	—	256
Transactions with owners									
Dividend ²	9	—	—	—	—	(517)	(517)	—	(517)
Tier 1 note coupon	21	—	—	—	—	(33)	(33)	—	(33)
Share-based payment charge	7, 22	—	—	14	—	—	14	—	14
Share purchases and share scheme settlements	22	—	—	(5)	—	1	(4)	—	(4)
At end of year		2	873	(7)	1,089	1,627	3,584	444	4,028

		Share capital	Share premium	Treasury shares and share-based payment reserve	Other reserves ¹	Retained profit	Total shareholders' equity	Tier 1 notes	Total Equity
	Note	£m	£m	£m	£m	£m	£m	£m	£m
31 December 2024									
At beginning of year		2	873	(10)	1,089	2,070	4,024	444	4,468
Total comprehensive income									
Profit for the year		—	—	—	—	284	284	—	284
Transactions with owners									
Dividend	9	—	—	—	—	(398)	(398)	—	(398)
Tier 1 note coupon	21	—	—	—	—	(33)	(33)	—	(33)
Share-based payment charge	7, 22	—	—	9	—	—	9	—	9
Share purchases and share scheme settlements	22	—	—	(15)	—	(3)	(18)	—	(18)
At end of year		2	873	(16)	1,089	1,920	3,868	444	4,312

- As at 31 December 2025, other reserves include a merger reserve of £34 million (2024: £34 million) and capital reduction reserve of £1,055 million (2024: £1,055 million). Refer to Note 22 for further details.
- In 2025, £3 million (2024: £2 million) of the total dividends paid of £520 million (2024: £400 million) was received by the Group's Employee Benefit Trust, reducing the total dividend paid externally.



The accounting policies and notes on **pages 147 - 202** form an integral part of these financial statements.

Group statement of cash flows

for the year ended 31 December 2025

	Note	2025 £m	2024 £m
Cash flows from operating activities			
Profit for the year		256	284
Adjustments for:			
Interest income		(1,690)	(1,550)
Other investment income		(757)	(510)
Loss on redemption of subordinated debt	3	—	1
Finance costs		129	124
Depreciation on property, plant and equipment	10	3	—
Depreciation on right of use assets	11	5	6
Tax expense	8	78	87
Equity settled share-based payments	7	14	9
		(2,218)	(1,833)
Changes in operating assets and liabilities			
Increase in investment properties	12	(95)	(142)
Increase in financial investments	13	(3,861)	(4,083)
Increase in derivative and other financial assets	13	(526)	(892)
(Increase)/decrease in reinsurance contract assets	16	(1,757)	285
Increase in prepayments		(1)	—
(Increase)/decrease in receivables		(93)	9
Increase/(decrease) in accruals		18	(8)
Increase in insurance contract liabilities	16	6,267	3,097
Increase in derivative and other financial liabilities		292	1,932
Increase in other payables		1	1
		245	199
Cash outflow from operating activities		(1,717)	(1,350)
Interest income received		1,690	1,550
Other investment income		757	510
Taxation paid		(30)	(66)
Net inflow from operating activities		700	644
Cash flows from investing activities			
Acquisition of property, plant and equipment	10	—	(22)
Net outflow from investing activities		—	(22)
Cash flows from financing activities			
Payment of lease liabilities	11	—	(4)
Purchase of treasury shares		(5)	(15)
Share scheme settlements		1	(3)
Interest paid on subordinated debt		(125)	(120)
Coupon on tier 1 notes	21	(33)	(33)
Issuance of subordinated debt	17	—	495
Redemption of subordinated debt	17	—	(225)
Dividends paid	9	(517)	(398)
Net outflow from financing activities		(679)	(303)
Net increase in cash and cash equivalents		21	319
Cash and cash equivalents at beginning of year		631	312
Cash and cash equivalents at end of year		652	631



The accounting policies and notes on **pages 147 - 202** form an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2025

1. Accounting policies

Basis of preparation

Pension Insurance Corporation Group Limited ("PICG") is a private limited company incorporated and domiciled in the United Kingdom. Both the Company's financial statements and the Group's consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

In publishing its own financial statements here together with the Group financial statements, the Company has taken advantage of the exemption in section 408(3) of the Companies Act 2006 not to present its individual Statement of comprehensive income and related notes that form a part of these financial statements.

The Group has applied all IFRS and interpretations that are adopted by the UK and are effective for accounting periods beginning on or after 1 January 2025.

Management consider that the Group consists of one operating segment, which operates in one geographical location (the United Kingdom) and has one line of business (the provision of insurance annuity products to UK defined benefit occupational pension funds and their members).

In preparing the financial statements, climate change has not been a significant area of accounting judgement or estimation; please refer to Note 18(g) for further details.

The financial statements have been prepared on a going concern basis. The Directors have conducted a detailed assessment of the Group's going concern status based on its current position and forecast results and have concluded that the Group and Company have adequate resources to operate for at least the next 12 months from the date of approval of these financial statements.

In making the going concern assessment, the Directors reviewed the forecast solvency and liquidity positions, undertook stress and scenario testing of key assumptions, and considered the implications of the acquisition of the Group by Athora (refer to note 25). Mitigating actions were also considered and are set out in the "Risk Management" section of the Strategic Report on pages 80 to 89.

The key stress tests, scenarios and sensitivities include a change in interest rates, an increase in inflation, widening of credit spreads, downgrades and defaults, liquidity stresses, and reinsurance and capital availability. The principal sources of forecast information were the 2026 business plan and the Group's Own Risk and Solvency Assessment ("ORSA"). Details of the Group's financial position and solvency can be found in the Chief Financial Officer's review on pages 71 to 79.

On 3 July 2025, the shareholders of PICG and Athora Holding Ltd ("Athora") reached an agreement pursuant to which Athora agreed to purchase the entire share capital of the Group. The acquisition has been approved by the PRA and is expected to complete on or around 27 March 2026. The Directors note that the regulated nature of the Group's core insurance operations is such that no change to these operations could be implemented within the going concern assessment period. Whilst it is outside of the Director's control if Athora elects to make changes to PICG as part of any rationalisation of Group holding companies, such changes are not expected to be a priority post-completion, and Athora have also confirmed they do not intend to make any of these changes within the going concern assessment period. The Directors therefore do not consider that this transaction will adversely affect the going concern assessment of the Group's operations, and are satisfied that the going concern basis for preparing the financial statements remains appropriate.

Basis of consolidation

The consolidated financial statements comprise those of the Company and its subsidiary companies. For the purposes of consolidation, the accounting policies of subsidiary companies have been aligned with those of the Company.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that control ceases. Intra-group transactions and outstanding balances are eliminated in the preparation of the consolidated financial statements of the Group and any non-controlling interests in the net assets of subsidiaries are identified separately from the Group's equity.

The functional currency of the Group and its subsidiaries is GBP sterling. These financial statements have been presented in millions of GBP sterling (£m) unless otherwise stated. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the foreign exchange rate ruling at the end of the financial year. Non-monetary assets and liabilities are translated into the functional currency using the historical rate. All revenue and expense items are reflected in the Statement of comprehensive income for the Group at the rate effective at the date the transaction took place.

Notes to the financial statements (continued)

for the year ended 31 December 2025

Critical estimates and judgements

The preparation of financial statements requires the use of certain accounting estimates and assumptions that affect the reported assets, liabilities, income and expenses. It also requires management to exercise judgement in applying the Group's accounting policies and selecting estimation techniques. The areas involving a higher degree of judgement or complexity, or where assumptions are significant to the consolidated financial statements, are set out below and in more detail in the related notes. Insurance contract liabilities and financial instruments are the areas where there is more risk of a material adjustment to the carrying amounts within the next financial year.

Judgements

Insurance/reinsurance contract liabilities/assets

The valuation approach applied involves the following key judgements:

- The method adopted to measure coverage units for the release of the contractual service margin ("CSM").
- The method adopted to measure the risk adjustment.
- Assessing which internal expenses and overheads of the Group are directly related to the acquisition and fulfilment of an insurance contract.
- The method adopted for the release of the loss component for onerous contracts and the loss recovery component for related reinsurance contracts.

Please refer to Note 16(e) for further details in relation to these judgements.

Estimates

Present value of future cash flows

Future cash flows are valued based on the present value of the unbiased probability weighted projected cash flows of future benefit payments to policyholders and the cost of administering payments to policyholders. The key assumptions relate to future mortality, expenses, discount rates and inflation. Please refer to Note 16(e) for further details.

Risk adjustment

The risk adjustment for non-financial risk ("RA") is estimated using a selected confidence interval ("value at risk"), applied to probability distributions and risk correlations underlying the Group's Solvency II Internal Model. Please refer to Note 16(e) for further details.

Financial instruments

Where an active market does not exist for a financial instrument, the Group uses financial modelling to ascertain fair value. The models consider the anticipated future cash flows expected to be derived from the assets or paid in respect of the liabilities and discount them to reflect the timing of payments and, for debt assets, the likelihood of default given the relative seniority of the holding in order of repayment. For equity release mortgages ("ERMs"), key inputs also include assumptions relating to property prices. Where an instrument is neither traded on an active market or internally modelled, the Group uses valuations provided by independent fund managers, along with other available market information. The relevant fair value disclosures are set out in Note 13.

Investment properties

The market value of the investment properties held at fair value are generally determined based on a valuation approach which applies an investment yield to the rental income. For properties with long-term leases, a discounted cash flow approach is used for the valuation of the lease. Please refer to Note 12 for further details.

Changes in accounting policies

2025

The Group has adopted the following amendments to standards which became effective for the annual reporting period beginning on 1 January 2025. The amendments have been issued and endorsed by the UK and have had no significant impact on the Group's financial statements.

- Amendments to IAS 21 Lack of exchangeability: Requires companies to provide more useful information in their financial statements when a currency cannot be exchanged into another currency. The amendment specifies how to assess whether a currency is exchangeable and how to determine a spot exchange rate if it is not.

With the exception of the change above, the Group has consistently applied its accounting policies to all periods presented in these financial statements.

Notes to the financial statements (continued)

for the year ended 31 December 2025

Significant new standards or amendments to standards which are not yet effective

Amendments to the Classification and Measurement of Financial Instruments (IFRS 9 and IFRS 7)

The amendments to IFRS 9 and IFRS 7 will apply from 1 January 2026. These clarify that financial liabilities are derecognised at the settlement date, which is the date the liability is extinguished or otherwise qualifies for derecognition. However, derecognition is permissible at an earlier date if the cash transfer takes place through an electronic payment system and specific conditions are met. This is consistent with PIC's existing accounting policies and the amendments are not expected to have an impact on the Group.

Annual Improvements to IFRS Accounting Standards

Amendments to remove inconsistencies in IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 7 "Financial Instruments: Disclosures", IFRS 9 "Financial Instruments", IFRS 10 "Consolidated Financial Statements" and IAS 7 "Statement of Cash Flows", effective from 1 January 2026, are not expected to have an impact on the Group.

IFRS 18 Presentation and disclosure in financial statements

IFRS 18 "Presentation and disclosure in financial statements" will replace IAS 1 "Presentation of financial statements" and is aimed at improving the comparability and transparency of performance reporting. It does not affect the recognition or measurement of items in the financial statements. The standard is effective for the 2027 reporting period and applies retrospectively.

The Group is in the process of reviewing the impact of adoption of IFRS 18, but initial views on the potential implications are as follows:

- The Statement of profit or loss has a defined structure, and groups items into categories (operating, investing and financing). As PIC is an insurer that invests in assets and services insurance contract liabilities as its main business activity, it is expected that the majority of the income and expenses will fall within operating activities, with the exception of borrowing and other finance costs that will fall within the financing category.
- Management defined performance measures ("MPMs") are defined as subtotals of income and expenses that are used in public communications outside of the financial statements to communicate management's view of financial performance. Adjusted operating profit before tax ("AOPBT") has been identified as an MPM, requiring its inclusion in the notes to the audited financial statements, along with a description of the measure, how it is calculated and a reconciliation to the most similar specified subtotal in IFRS.
- IFRS 18 also provides enhanced guidance on the principles of aggregation and disaggregation which focus on grouping items based on their shared characteristics. This is not expected to have a significant impact on the Group.

Notes to the financial statements (continued)

for the year ended 31 December 2025

2. Insurance revenue and insurance service results

Insurance revenue

Insurance revenue represents the provision of coverage and other services arising from the group of insurance contracts at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The present value of the sum of the insurance revenue over the life of the contract equates to the premium received, after excluding non-distinct investment components and adjustments for financing.

Insurance revenue consists of:

- The release of the CSM, which represents the unearned profit that the Group will recognise as it provides services for a group of insurance contracts. The CSM is recognised as revenue based on coverage provided in the period. Refer to Note 16(e) for further details;
- The release of the risk adjustment for non-financial risk relating to risks expired, after loss component allocation*;
- Claims and other insurance service expenses for the current period excluding any non-distinct investment component, measured at amounts expected at the beginning of the year, after loss component allocation*;
- Experience adjustments arising from premiums received in the period relating to current and past services; and
- The recovery of insurance acquisition cash flows, recognised on a straight-line basis over the expected coverage period of the group of contracts.

* The loss component release is recognised in insurance service expenses rather than revenue, as it represents the excess of claims and expenses over premium revenue received.

Insurance service expense

Insurance service expenses consist of:

- Actual incurred claims excluding non-distinct investment components;
- Directly attributable insurance service expenses;
- Losses on onerous insurance contracts and reversals of such losses. A group of insurance contracts is onerous if the total fulfilment cash flows and allocation of acquisition costs result in a net cash outflow. The loss is recognised in insurance service expenses immediately and subsequently released as the fulfilment cash flows are realised; and
- Deferral and amortisation of acquisition costs attributable to selling insurance contracts, which is matched by equal and opposite recovery in insurance revenue.

Net expense from reinsurance contracts held

Income and expenses from reinsurance contracts held consists of the following:

- Allocation of reinsurance premiums paid:
 - a) Release of the CSM
 - b) The release of the risk adjustment for non-financial risk
 - c) Expected recoveries and reinsurance service expenses for the current period;
- Recovery of incurred claims;
- Directly attributable insurance service expenses relating to reinsurance contracts and the effect of changes in risk of reinsurer non-performance; and
- Recoveries and reversals of recoveries of losses on onerous underlying contracts (loss recovery components).

Analysis of the total insurance revenue, insurance service expenses, and net expense from reinsurance contracts held recognised in the period is shown in the following table. Further details of the accounting policies and assumptions in relation to insurance and reinsurance contracts are set out in Note 16.

Notes to the financial statements (continued)

for the year ended 31 December 2025

	2025 £m	2024 £m
Insurance revenue		
Amounts relating to changes in liabilities for remaining coverage		
– CSM recognised for services provided	279	245
– Change in risk adjustment for non-financial risk for the risk expired after loss component allocation	94	42
– Expected incurred claims and other insurance service expenses after loss component allocation	2,395	2,067
– Experience adjustments for premium receipts	8	2
Recovery of insurance acquisition cash flows	28	26
Total insurance revenue	2,804	2,382
Insurance service expense		
Incurred claims	(2,310)	(1,993)
Insurance service expenses	(45)	(37)
Reversal of losses and losses on onerous contracts	28	(75)
Amortisation of insurance acquisition cash flows	(28)	(26)
Total insurance service expense	(2,355)	(2,131)
Net expense from reinsurance contracts held		
Contractual service margin recognised for services received	(52)	(43)
Change in risk adjustment for non-financial risk for risk expired	(69)	(29)
Expected net settlements and reinsurance expenses	(1,971)	(1,710)
Actual net settlements and reinsurance expenses	1,953	1,697
Effect of changes in non-performance risk of reinsurers	—	27
Total net expense from reinsurance contracts held	(139)	(58)
Total insurance service result	310	193

Notes to the financial statements (continued)

for the year ended 31 December 2025

3. Net financial result

Investment return comprises net gains or losses on financial instruments and investment property measured at Fair value through profit or loss ("FVTPL"). Net gains and losses on financial instruments measured at FVTPL includes interest (and dividend) income. Rental income earned on investment properties is recognised on a straight-line basis. All financial instruments are mandatorily measured at FVTPL, other than repurchase agreement and cash collateral received liabilities which are designated as at FVTPL. An analysis is provided to show investment return relating to assets backing insurance liabilities (underlying assets) and other investments.

Any gains or losses on the early redemption of borrowings measured at amortised cost are recognised within investment return.

Insurance/reinsurance finance income and expenses represent movements in the carrying amount of the group of insurance and reinsurance contracts due to:

- The time value of money (discount unwinding of fulfilment cash flows at current opening rates, and the interest accretion on the CSM at rates locked at inception);
- Changes in financial risk assumptions due to economics (interest rates, index-linked inflation, credit spreads) and changes in non-financial assumptions relating to future service arising from differences between unlocked rates used to discount present value of future cash flows and locked rates used for the CSM.

	Note	2025 £m	2024 £m
Investment return – underlying assets			
Net gains/(losses) on financial assets/liabilities mandatorily measured at FVTPL		2,672	(1,203)
Net losses on financial liabilities designated as at FVTPL		(46)	(91)
Rental income		30	18
Net gains/(losses) on investment property		3	(5)
Total investment return/(loss) – underlying assets		2,659	(1,281)
Investment return – other investments			
Net gains on financial assets/liabilities mandatorily measured at FVTPL		130	116
Total investment return – other investments		130	116
Loss on redemption of subordinated debt		—	(1)
Total investment return/(loss)		2,789	(1,166)
Net finance (expense)/income from insurance contracts issued			
Interest accreted ¹		(2,676)	(2,690)
Effect of changes in interest rates and other financial assumptions ¹		(53)	4,608
Total net finance (expense)/income from insurance contracts	16	(2,729)	1,918
Net finance income/(expense) from reinsurance contracts			
Interest accreted ¹		124	121
Effect of changes in interest rates and other financial assumptions ¹		186	(374)
Total net finance income/(expense) from reinsurance contracts	16	310	(253)
Net financial result		370	499

1. The Group has improved its modelling technique to calculate interest accreted on insurance and reinsurance contracts. This has no impact on the overall net financial result, but has decreased the interest accreted by £89 million for insurance contracts and £1 million for reinsurance contracts compared to the previous approach, with an equal and opposite impact on the effect of changes in interest rates and other financial assumptions.

Notes to the financial statements (continued)

for the year ended 31 December 2025

4. Expenses

Claims and benefits relate to actual insurance contract annuity payments (excluding repayments of investment components).

Losses and reversal of losses on insurance contracts represent the initial recognition of loss components on onerous contracts, in addition to movements in the loss component for assumption changes and the release of the loss component as services are provided.

Investment expenses and other charges include dealing and hedging costs and investment fees payable to investment managers.

Employee costs include wages and salaries, other social security costs and pension costs.

Project costs relate to the implementation of one-off business-wide initiatives.

Other expenses include legal and professional fees, IT costs, depreciation and other costs incurred in operating the business.

The acquisition costs of acquiring new profitable insurance business are deferred within insurance contract liabilities and amortised as insurance service expenses over the life of the related insurance contract.

Expenses can be further analysed into those relating to insurance contracts and other operating expenses that are not directly attributable to selling and servicing insurance contracts.

Expenses directly attributable to reinsurance contracts are presented within the Net expense from reinsurance contracts held.

	2025 £m	2024 £m
Claims and benefits	2,310	1,993
Reversal of losses and losses on insurance contracts	(28)	75
Investment expenses and other charges	91	96
Employee costs	117	103
Project costs	72	86
Other expenses	105	65
Deferral of attributable acquisition costs	(123)	(116)
Amortisation of acquisition costs	28	26
Total	2,572	2,328
Represented by:		
Actual claims and maintenance expenses	2,327	2,105
Amortisation of insurance acquisition cash flows	28	26
Insurance service expenses	2,355	2,131
Other operating expenses	217	197
Total	2,572	2,328

In addition to the expenses above, the Group incurred £8 million (2024: £6 million) of other operating expenses in relation to reinsurance business, of which £6 million (2024: £5 million) were deferred as acquisition costs, and £2 million (2024: £1 million) were allocated to maintenance costs.

5. Auditors' remuneration

	2025 £000	2024 £000
Fees payable to the Group's auditor for the audit of the Group's annual accounts	27	26
Fees payable to the Group's auditor and its associates for other services:		
Audit of accounts of subsidiaries	2,462	2,284
Audit-related assurance services	210	265
All other services	—	110
Total fees paid to the auditor	2,699	2,685

All amounts presented exclude VAT.

Notes to the financial statements (continued)

for the year ended 31 December 2025

6. Directors' remuneration, employee costs and headcount

Employee benefits

Defined contribution plans

Pension Services Corporation Limited ("PSC") operates a defined contribution pension plan into which PSC contributes 8% if the employee makes a minimum contribution of 2.5% of qualifying salary. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Statement of comprehensive income in the period during which the related services are rendered by employees.

The costs of Directors and employees of the Group for the year were as follows:

	2025 £m	2024 £m
Wages and salaries	97	87
Social security costs	14	11
Other pension costs	6	5
	117	103

The 13 Directors (2024: 13) who served in the Company during the year received remuneration of £3 million (2024: £3 million) for their services to the Group. This includes £3 million (2024: £3 million) in respect of services provided to other Group companies. All Directors were employed by or contracted by the Group's service provider.

One Director was provided with a cash alternative in relation to a money purchase pension scheme where their lifetime or annual allowance limit had been reached (2024: one), no Directors of the Company were awarded share options during 2025 (2024: one) and one Director exercised share options during 2025 (2024: one).

The amount of remuneration received by the highest paid Director was £1.8 million (2024: £1.8 million). This includes £1.8 million (2024: £1.8 million) in respect of services provided to other Group companies. In addition, upon maturity of certain share plans, the highest paid Director received vested shares in the Company and exercised share options during 2025.

The average number of people employed by the Group (including Directors of the Company) during the year, analysed by category, was as follows:

	2025 Number	2024 Number
Employees	669	591
Directors	13	13

Notes to the financial statements (continued)

for the year ended 31 December 2025

7. Share-based payment arrangements

Equity settled share-based payment transactions

The fair value on the grant date of equity settled share-based payment awards granted to Directors and employees is recognised as an employee expense, with a corresponding increase in equity, over the vesting period that the employees become unconditionally entitled to the awards. The fair value on grant date is inclusive of any cash entitlement to dividend equivalents. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount recognised as an expense is based on the number of awards that meet the relevant service conditions and non-market performance conditions at vesting date.

Any ordinary shares required to fulfil entitlements under the share-based payment awards are provided by the Pension Insurance Corporation Group Employee Benefit Trust ("EBT"). The EBT is treated as a branch. Any shares purchased by the EBT to fund these awards are accounted for as treasury shares held at cost within the Company and Group shareholders' equity.

When the awards vest and new shares are issued to the participants on exercise, the proceeds received (if any), net of transaction costs, are credited to share capital (par value) and the balance, if any, to share premium. Where the shares transferred to participants on exercise are held as treasury shares by the EBT, the net of the release of the treasury shares and the proceeds received (if any) are credited to retained earnings. On exercise of share awards, the relevant amount in the share-based payments reserve is then credited to retained earnings.

Employer's national insurance contributions in relation to the equity settled schemes are treated as cash settled transactions, with the fair value recognised as an expense over the vesting period that the employees become unconditionally entitled to the related equity award. Until the liability is settled on exercise of options, it is remeasured at fair value, with any changes in fair value recognised in profit or loss for the period.

Analysis of expense recognised in the Statement of comprehensive income:

	2025 £m	2024 £m
Equity settled share-based payment transactions		
Deferred Bonus Share Plan	9	7
Long Term Incentive Plan	5	2
Total expense recognised for equity settled share-based payments	14	9

During the year, cash settled employer's social security costs of £2 million (2024: £2 million) were incurred by the Group, and as at 31 December 2025, total liabilities in relation to cash settled employer's social security cost were £4 million (2024: £3 million).

All schemes contain clawback provisions which allow the PIC Remuneration Committee to reduce or extinguish awards in certain specified circumstances. The schemes vest in the event of an acquisition of the Group, subject to any relevant performance conditions and Solvency II related deferral provisions.

Long Term Incentive Plan ("LTIP")

This equity settled plan is designed to incentivise key individuals to grow the business and build a sustained and successful future for the Group by rewarding and retaining them through a long-term incentive arrangement. The plan has been in place since 2021 and awards are made on an annual basis, at the Company's discretion. All awards to date are nil cost options, with vesting dependent on performance against a Group equity own funds target, with a Solvency II coverage underpin. In 2025, two additional measures, Solvency surplus generated and maintenance expense per policy, were added to ensure a more holistic assessment of performance. LTIP awards vest over a three-year period, subject to the achievement of performance conditions. Awards to ExCo members also have a further retention period of up to two years. From 2025, scheme participants will be entitled to a cash payment equivalent to dividends paid over the vesting period and holding period. The 2023 and 2024 schemes have also been retrospectively modified to allow entitlement to dividend equivalents, with the incremental increase in fair value of £2 million (based on the difference between the fair value of the modified award and the original award at the date of modification) recognised over the remainder of the vesting and holding periods.

Notes to the financial statements (continued)

for the year ended 31 December 2025

During 2024, the recalibration to an equity own funds performance measure for in-flight 2022 and 2023 schemes did not result in a significant change in the number of options expected to vest or in the resultant accounting charge. Prior to 2024, vesting of schemes was dependent on performance against a Market Consistent Embedded Value ("MCEV") target.

	2025 Number of options	2024 Number of options
Outstanding at 1 January	4,293,121	3,811,150
Awarded	1,768,719	1,590,126
Forfeited	(782,530)	(757,114)
Exercised	(517,381)	(351,041)
Remaining at 31 December	4,761,929	4,293,121
Exercisable at 31 December	90,599	33,851
Weighted-average share price at grant/exercise (£)	4.24	4.24
Weighted-average remaining contractual life (years)	8.43	8.54

During the year to 31 December 2025, LTIP awards were made on 16 June 2025. As these are nil cost options with non-market-based performance criteria, the key input to determine the fair value of the awards for the IFRS 2 share-based payment charge is the share price at grant date of £4.24 which was determined with the assistance of third-party valuation specialists. Awards may be exercised following vesting up to the tenth anniversary of the date of the grant.

Deferred Bonus Share Plan ("DBSP")

This equity settled plan is designed to incentivise key individuals to grow the business and build a sustained and successful future for the Group by rewarding and retaining them through a long-term incentive arrangement. The plan has been in place since 2013 and awards are made on an annual basis, at the Company's discretion. Scheme participants will be entitled to a cash payment equivalent to dividends paid over the vesting period from 2025. The 2023 and 2024 schemes have also been retrospectively modified to allow entitlement to dividend equivalents, with the incremental increase in fair value of £3 million (based on the difference between the fair value of the modified award and the original award at the date of modification) recognised over the remainder of the vesting periods.

The awards under the DBSP have a three-year vesting period and are in the form of a nil cost option over a number of the Company's ordinary shares.

	2025 Number of options	2024 Number of options
Outstanding at 1 January	5,068,674	5,839,451
Awarded	1,821,998	1,836,390
Forfeited	(89,770)	(337,631)
Exercised	(1,118,324)	(2,269,536)
Remaining at 31 December	5,682,578	5,068,674
Exercisable at 31 December	420,391	202,142
Weighted-average share price at grant/exercise (£)	4.24	4.24
Weighted-average remaining contractual life (years)	8.21	8.39

The majority of 2025 awards under the DBSP were made on 16 June 2025. As these are nil cost options with no specific performance criteria, the key input to determine the fair value of the awards for the IFRS 2 share-based payment charge is the share price at grant date of £4.24 which was determined with the assistance of third-party valuation specialists. Awards may be exercised following vesting up to the tenth anniversary of the date of the grant.

Notes to the financial statements (continued)

for the year ended 31 December 2025

8. Corporation tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws enacted or substantively enacted at the date of the Statement of financial position together with adjustments to tax payable in respect of previous years. Deferred tax is provided on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes.

The Group's tax charge for the year is:

	2025 £m	2024 £m
Current taxation		
Corporation tax payable for the current year	42	53
Corporation tax credit for the prior year	(2)	—
Total current tax	40	53
Deferred taxation		
IFRS 17 transition tax relief	35	34
Current year other timing differences	(1)	—
Prior year other timing differences	4	—
Tax charge	78	87

On transition to IFRS 17, a deferred tax asset arose on the reversal of previously taxed profits and is supported by projections of future taxable profits. The deferred tax asset is being recovered over a ten-year period from 1 January 2023.

	2025 £m	2024 £m
Reconciliation of total income to the applicable tax rate		
Profit before taxation	334	371
Expected corporation tax at 25% (2024: 25%)	83	93
Effects of:		
Prior year adjustment	2	—
Non-deductible expenses	1	2
Tier 1 coupon tax relief	(8)	(8)
Tax charge	78	87

Factors that may affect future tax charges

Current taxation is provided on taxable profits at the corporation tax rate ruling in the year they are earned, which is 25% for the year ended 31 December 2025.

On 20 June 2023, Finance (No. 2) Act 2023 was substantively enacted. This included legislation to implement the OECD Pillar Two global minimum top-up tax in the UK. The enacted tax legislation in the UK is effective from 1 January 2024, however there is no current or deferred tax impact for the year ended 31 December 2025. The Group is applying the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Under the legislation, the Group is liable to pay a domestic top-up tax for the difference between its global anti-base erosion effective tax rate in the UK and the 15% minimum rate. The Group has assessed the impact of the legislation based on the current version of the rules and HMRC guidance applied to historical financial information. Based on this, the Group does not expect to be subject to a top-up tax under these rules. The Group is continuing to review its position in light of the legislation and guidance, and will make the necessary filings with HMRC by 30 June 2026 in relation to the 2024 year end and by 31 December 2026 in relation to the 2025 year end.

Notes to the financial statements (continued)

for the year ended 31 December 2025

9. Dividends

Final dividends on ordinary shares are recognised as a liability in the period in which they have been approved by shareholders of the Company. Interim dividends are recognised when paid.

	Dividend 2025 £m	Per share 2025 p	Dividend 2024 £m	Per share 2024 p
Ordinary dividend paid and charged to equity:				
Final 2023 dividend paid in May 2024			147	11.0
Interim 2024 dividend paid in September 2024			147	11.0
Special interim dividend paid in September 2024			106	8.0
Final 2024 dividend paid in May 2025	160	12.0		
Special 2024 dividend paid in May 2025	200	15.0		
Interim 2025 dividend paid in September 2025	160	12.0		
Total dividends	520	39.0	400	30.0
Dividends received by the Employee Benefit Trust	(3)		(2)	
Total dividends paid to external shareholders	517		398	

10. Property, plant and equipment

Leasehold improvements, furniture and equipment are held at historical cost less subsequent depreciation and impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

- Leasehold improvements – shorter of useful life or lease term
- Office furniture and equipment – 5 years
- Computer equipment – 3 years

Impairment reviews are undertaken where there are indicators that the carrying value of an asset may not be recoverable.

2025	Leasehold improvements £m	Furniture and equipment £m	Total £m
Cost			
At the beginning of year	19	3	22
At end of year	19	3	22
Depreciation			
At the beginning of year	—	—	—
Charge for the year	(2)	(1)	(3)
At end of year	(2)	(1)	(3)
Net book value			
At end of year	17	2	19
2024	Leasehold improvements £m	Furniture and equipment £m	Total £m
Cost			
At the beginning of year	—	—	—
Additions ¹	19	3	22
At end of year	19	3	22
Depreciation			
At the beginning of year	—	—	—
Charge for the year	—	—	—
At end of year	—	—	—
Net book value			
At end of year	19	3	22

1. The additions during 2024 related to leasehold improvements and furniture and equipment to fit out the new office building (see Note 11 for further details).

Notes to the financial statements (continued)

for the year ended 31 December 2025

11. Leases

The Group recognises a right of use asset and a lease liability at the lease commencement date. Right of use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received.

A right of use asset is depreciated on a straight-line basis over the shorter of the lease term and the useful life of the asset.

Right of use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use.

A lease liability is initially measured as the value of expected future lease payments, discounted using the Group's incremental borrowing rate. The incremental borrowing rate is determined using the yield on the Group's external borrowing, adjusted to reflect the terms of the lease.

Lease liabilities are measured at amortised cost using the effective interest method.

Leases under which the Group is a lessee relate primarily to office buildings. Information about the leases is presented below.

The Group is a lessee of its office building at 22 Ropemaker Street under a 15-year lease, entered into in December 2023. The lease includes an option to extend for a period of five years as well as an option to terminate after ten years. The right of use asset and lease liability have been calculated on the basis that the lease will terminate in December 2033, as the Group is not reasonably certain that the lease period will extend beyond this point. During December 2024, the Group exercised the option to terminate the Cornhill office building leases and the premises were vacated, as a result no lease liabilities were recognised in relation to Cornhill at 2024 year end.

Right of use assets

	2025 Office buildings £m	2024 Office buildings £m
Balance at 1 January	35	40
Reassessment of lease term	—	1
Depreciation charge for the year	(5)	(6)
Balance at 31 December	30	35

Lease liabilities

	2025 £m	2024 £m
Balance at 1 January	39	40
Reassessment of lease term	—	1
Cash outflow for lease payments	—	(4)
Interest on lease liabilities	2	2
Balance at 31 December	41	39

	2025 £m	2024 £m
Maturity analysis – contractual undiscounted cash flows		
Less than one year	2	—
One to five years	28	23
More than five years	28	35
Total undiscounted lease liabilities at 31 December	58	58

The Group's potential undiscounted cash flows relating to the lease term beyond the termination option date are £28 million (2024: £28 million). These have not been included in the 31 December 2025 liabilities above.

Notes to the financial statements (continued)

for the year ended 31 December 2025

12. Investment properties

Investment properties are not for occupation by the Group, but are held for rental income and capital appreciation. Investment properties are carried at fair value, with changes in fair value included in the Statement of comprehensive income. In the early period of construction of an investment property, if there are circumstances where fair value is not reliably measurable, the investment property is measured at construction cost until fair value becomes reliably measurable.

Properties are valued annually with the input of professional external valuers using the Royal Institution of Chartered Surveyors ("RICS") guidelines. The RICS guidelines apply separate assumptions to the value of the land, buildings and tenancy associated with each property.

Valuations also consider changes in market conditions and the status of the tenants in determining whether a full physical inspection is required each year. Properties are generally fully inspected as part of the valuation process at least once every three years.

	2025 At cost £m	2025 At fair value £m	2025 Total £m
At beginning of year	—	805	805
Additions	—	92	92
Change in fair value during the year	—	3	3
At end of year	—	900	900

	2024 At cost £m	2024 At fair value £m	2024 Total £m
At beginning of year	14	649	663
Additions	13	155	168
Disposals ¹	—	(21)	(21)
Transfer of properties under construction from cost to fair value	(27)	27	—
Change in fair value during the year	—	(5)	(5)
At end of year	—	805	805

1. Relating to a portfolio of properties acquired during 2023 under an insurance buy-in contract that were disposed of in the year. The gain on disposal, net of transactions costs, was £1 million in 2024.

The Group's holdings in investment properties relate to retail, office, residential and affordable housing properties held via Guernsey registered property unit trusts or UK-based limited partnerships. All properties are located in the United Kingdom.

The market value of the investment properties held at fair value is generally determined based on a valuation approach which applies investment yield to the rental income. The investment yield is derived from available transactional evidence of similar rental units considering the property-specific factors such as its location, the unexpired term, current rent, size of the unit and other factors. For investment properties under construction, the estimated valuation upon completion is adjusted for future costs to complete and a risk margin. Due to the unobservable inputs, investment properties are classified as Level 3 in the fair value hierarchy.

In some circumstances, a combination of valuation approaches is used for a single property, applying a discounted cash flow approach for the long-term lease element (where the long-term cash flows are with a single lessee counterparty, similar in nature to a private loan), with the residual value of the property at the end of the lease determined using an investment yield approach.

Notes to the financial statements (continued)

for the year ended 31 December 2025

Significant assumptions used in the valuation of the Group's investment properties include:

	2025	2024
Investment yield	Range from 3.95% to 7.11%	Range from 5.88% to 7.27%
Rental value per square foot	Range from £15.24 to £46.81	Range from £31.06 to £46.42
Discount rate for long-term leases	Range from 6.12% to 6.24%	Range from 6.20% to 6.24%

The following table shows the effect of assumption changes on the fair value of investment properties:

	2025		2024	
Sensitivity	Change in fair value £m	Change in fair value £m	Change in fair value £m	Change in fair value £m
+/- 50 bps change in investment yield	(82)	101	(50)	56
+/- 10% change in rental value per square foot	81	(79)	83	(69)
+/- 100 bps change in discount rate for long-term leases	(19)	23	(17)	20

Rental income received in relation to these properties of £30 million (2024: £18 million) is shown within investment return in Note 3.

Notes to the financial statements (continued)

for the year ended 31 December 2025

13. Financial assets and financial liabilities

Financial investments, derivatives and other financial assets/liabilities

Derivative financial instruments are always mandatorily measured FVTPL. All other financial assets are also mandatorily at FVTPL, due to the Group's fair value business model. Repurchase agreement and cash collateral liabilities are designated at FVTPL, as their performance is managed and evaluated on a fair value basis. Cash and cash equivalents are measured at amortised cost.

Financial instruments at FVTPL are initially recognised at fair value in the Statement of financial position, with transaction costs and any subsequent change in fair value taken directly to the Statement of comprehensive income. The carrying values of financial instruments at FVTPL are inclusive of accrued interest.

Joint ventures are entities in which the Group has an investment where it, along with one or more other shareholders, has contractually agreed to share control of the business and where the major decisions require the unanimous consent of the joint partners. Investments in joint ventures that are managed at fair value as part of the Group's portfolio of financial investments, and are unrelated to the Group's core insurance business, are classified as financial investments at FVTPL.

Receivables and payables

Receivables are carried at amortised cost net of provisions for lifetime expected credit losses ("ECLs"), where appropriate. The Group does not currently hold any material provisions for ECLs. Payables are carried at amortised cost.

Collateral

In order to meet its contractual obligations, the Group receives and pledges collateral in the form of cash and non-cash assets. Collateral pledged in the form of non-cash assets continues to be recognised in the Statement of financial position, as the Group retains all risks and rewards of ownership. Where collateral pledged by the Group can be sold or repledged by the other counterparty, the asset is presented as a "Pledged" asset in the Statement of financial position. Cash collateral pledged that is not legally segregated from the transferee is derecognised from the Statement of financial position and a financial asset is recognised for the other counterparty's obligation to return the collateral.

Collateral received in the form of non-cash assets is not recognised as an asset in the Statement of financial position as the Group does not acquire the economic risks and rewards of ownership. Cash collateral received that is not legally segregated from the Group is recognised as an asset and a corresponding financial liability is recognised for the obligation to return the collateral.

Recognition and derecognition of financial instruments

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire, or if either the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset are transferred to another party. Regular purchases and sales of financial assets are accounted for at the trade date. Financial liabilities are derecognised when the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents

Cash and cash equivalents consist of cash balances that are repayable on demand including deposits with credit institutions and are integral to the Group's cash management, including any overdrawn balances, and deposits held at call with banks with less than 90 days' maturity from date of acquisition. As at 31 December 2025, the total balance in overdraft was £nil (2024: £nil).

Notes to the financial statements (continued)

for the year ended 31 December 2025

	2025		2024	
	Fair value through profit or loss £m	Amortised cost £m	Fair value through profit or loss £m	Amortised cost £m
Financial assets				
<i>Financial investments</i>				
Debt securities				
– Government bonds	17,303	—	14,342	—
– Pledged government bonds ¹	6,848	—	5,489	—
– Corporate bonds	11,259	—	13,033	—
– Pledged corporate bonds ¹	2,268	—	2,348	—
– Private investments	10,687	—	9,382	—
Mortgage-backed securities and Asset-backed securities	259	—	237	—
ERMs	1,049	—	1,043	—
Participation in investment schemes	2,976	—	3,080	—
Participation in liquidity funds	2,144	—	1,978	—
Total financial investments	54,793	—	50,932	—
<i>Derivative and other financial assets</i>				
– Derivatives	28,021	—	27,857	—
– Repurchase agreements	1,345	—	853	—
– Cash collateral pledged	29	—	159	—
Receivables	—	129	—	36
Cash and cash equivalents	—	652	—	631
Total financial assets	84,188	781	79,801	667
Financial liabilities				
<i>Derivative and other financial liabilities</i>				
– Derivatives	31,696	—	31,641	—
– Repurchase agreements	312	—	17	—
– Cash collateral received	1,046	—	1,104	—
Other payables	—	18	—	17
Borrowings	—	2,064	—	2,062
Accruals	—	199	—	181
Total financial liabilities	33,054	2,281	32,762	2,260

1. Where assets pledged as collateral can be sold or repledged by the counterparty, these have been presented as pledged.

	2025		2024	
	Fair value through profit or loss £m	Amortised cost £m	Fair value through profit or loss £m	Amortised cost £m
Expected to be recovered in less than one year	9,137	767	8,832	653
Expected to be recovered after one year	75,051	14	70,969	14
Total financial assets	84,188	781	79,801	667

All amounts relating to other payables and accruals are expected to be settled within one year.

Notes to the financial statements (continued)

for the year ended 31 December 2025

Measurement of financial assets and liabilities

The Group's financial assets and liabilities have been valued using the following methods in accordance with IFRS 13 "Fair Value Measurement".

The fair values of investments quoted in an active market are based on their bid market prices. For unlisted securities and all other financial assets for which there is no active market, the Group establishes fair value using appropriate valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, counterparty and broker valuations, and option pricing models. These assessments are based largely on observable market data.

The specific valuation techniques used for the main classifications of financial assets and liabilities are:

(a) Investments in debt securities, Mortgage-backed securities ("MBS") and Asset-backed securities ("ABS")

The fair value of debt securities is determined by reference to their quoted bid price at the reporting date. Independent quotations are from multiple sources (e.g. exchanges; publicly available trade reporting sources; market quotes from global and regional banks, broker-dealers etc).

Government and corporate bonds are generally expected to be Level 1 or Level 2, with the Level based on the proprietary metric that reflects the relative strength of the recency, quantity and quality of market data inputs used in calculating the price for a particular security at a particular point in time.

Fair values for private investments, where quoted prices from third parties are not available, are estimated as the present value of future cash flows, discounted at a rate based on yields for comparable quoted bonds, adjusted, where applicable, for illiquidity and idiosyncratic risk. Key factors in determining the overall discount rate for each debt security are internal credit ratings (see Note 18), sector and maturity. Relevant debt securities include infrastructure loans, income strips and other private investment loans in respect of capital projects. Where unobservable inputs do not significantly impact the fair value (i.e. <5%), these are classified as Level 2 within the fair value hierarchy. Otherwise, they are classified as Level 3.

For private investments where quoted prices from third parties are not available, the credit spreads used to derive the discount rates ranged from 0.0% to 6.5% (2024: 0.0% to 6.5%). The unobservable spread adjustment generally ranged from (0.1)% to 2.7% (2024: 0.0% to 2.7%).

(b) Equity release mortgages ("ERMs")

ERMs are loans secured against property that are repayable on death or entry into long-term care of the borrower. ERMs can also be repaid early voluntarily by the borrower, in which case an early repayment charge may apply. The fair value of ERMs assets is determined using a mark-to-model approach based on discounting projected future cash flow arising from the loans. In addition to market observable inputs (such as interest and inflation rates), key inputs to the model also include assumptions relating to property price growth and volatility, equivalent spread, mortality, morbidity and early repayment rates, which are not market observable. Due to the significant estimation uncertainty involved in deriving the values, the ERMs are classified as Level 3 assets within the fair value hierarchy. Principal assumptions underlying the valuation of ERMs assets are set out below and sensitivities of the valuations to changes in the key unobservable inputs are disclosed on page 167.

- The loan-by-loan equivalent spread is solved at the point of each loan's inception to equate the present value of the expected cash flows to its face value. Subsequently, each loan's equivalent spread is updated in line with changes in the spread of a reference corporate bond index.
- Projected property values reflect future property growth in line with the Retail Price Index and property volatility of 15% (2024: 15%). These assumptions affect whether the No Negative Equity Guarantees ("NNEG") bite, which restrict the amount recoverable by the Group on repayment of the mortgage to the net sale proceeds of the property.
- Early repayment rates are assumed to be between 2% and 6.5% p.a. (2024: 2% and 6.5%) depending on the projection term, and the loan's term since inception.
- Mortality assumptions are derived using the Continuous Mortality Investigation ("CMI") 2024 mortality improvements (2024: CMI_2022 mortality improvements) and a multiple of the PXA16 mortality tables (2024: PXA16 mortality tables).

(c) Participation in liquidity funds and investment schemes

Holdings are generally valued based on fund manager statements. However, where there is an active programme to dispose of a holding, other market information identified as part of the sale process is also taken into account in the valuation. Participation in liquidity funds are classified as Level 1. Participation in investment schemes are classified as either Level 2 or Level 3 in the fair value hierarchy, depending on the weighting of the classification of the underlying assets held by the fund (if Level 3 assets exceed one-third of the fund value, the fund is classified as Level 3) and the significance of any adjustments made to fund manager statements.

Participation in investment schemes includes investments in property joint ventures with a carrying value of £71 million at 31 December 2025 (2024: £29 million). The investments have been classified with financial investments on the basis that they are managed at fair value as part of the Group's portfolio of financial investments.

The principal input to the fair value of the joint ventures is the underlying fair value of the property assets and, due to unobservable inputs, they are classified as Level 3 within the fair value hierarchy.

Notes to the financial statements (continued)

for the year ended 31 December 2025

(d) Derivatives

The fair value of foreign exchange forward contracts, futures and swaps is based on market prices, where available. Valuations are based on discounted cash flow techniques with discount rate, inflation and foreign exchange curves derived from market observable information. Whilst derivative contracts may not be readily tradeable, the valuations are generally based on market observable inputs and are classified as Level 2. However, where any unobservable inputs have a significant impact (>5%) on the valuation, the contract is classified as Level 3 within the fair value hierarchy.

(e) Repurchase agreements and cash collateral pledged/received

Repurchase agreements and cash collateral pledged/received are valued based on the discounted cash flows expected to be paid, using an observable market interest rate and have been classified as Level 2 within the fair value hierarchy.

Measurement of fair value

Level 1 assets are those assets for which the fair value has been measured using quoted prices, without adjustment, in an active market.

Level 2 assets are those assets for which the fair value has been primarily measured using observable inputs other than quoted prices included in Level 1.

Level 3 assets are those assets for which no observable data exists in relation to a significant element of the fair value measurement.

The following table analyses the Group's financial investments according to the basis of measurement required by IFRS 13 "Fair Value Measurement":

31 December 2025	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at FVTPL				
<i>Financial investments</i>				
Debt securities				
– Government bonds	13,768	10,355	28	24,151
– Corporate bonds	9,813	3,695	19	13,527
– Private investments	—	7,552	3,135	10,687
Mortgage-backed securities and Asset-backed securities	13	179	67	259
ERMs	—	—	1,049	1,049
Participation in investment schemes	—	2,004	972	2,976
Participation in liquidity funds	2,144	—	—	2,144
Total financial investments at FVTPL	25,738	23,785	5,270	54,793
<i>Derivative and other financial assets</i>				
Derivative assets	—	28,021	—	28,021
Repurchase agreements	—	1,345	—	1,345
Cash collateral pledged	—	29	—	29
Total financial assets at FVTPL	25,738	53,180	5,270	84,188
Financial liabilities at FVTPL				
Derivative liabilities	—	(31,696)	—	(31,696)
Repurchase agreements	—	(312)	—	(312)
Cash collateral received	—	(1,046)	—	(1,046)
Total financial liabilities at FVTPL	—	(33,054)	—	(33,054)

Notes to the financial statements (continued)

for the year ended 31 December 2025

31 December 2024	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at FVTPL				
<i>Financial investments</i>				
Debt securities				
– Government bonds	15,139	4,663	29	19,831
– Corporate bonds	10,771	4,605	5	15,381
– Private investments	—	5,666	3,716	9,382
Mortgage-backed securities and Asset-backed securities	8	188	41	237
ERMs	—	—	1,043	1,043
Participation in investment schemes	—	2,109	971	3,080
Participation in liquidity funds	1,978	—	—	1,978
Total financial investments at FVTPL	27,896	17,231	5,805	50,932
<i>Derivative and other financial assets</i>				
Derivative assets	—	27,854	3	27,857
Repurchase agreements	—	853	—	853
Cash collateral pledged	—	159	—	159
Total financial assets at FVTPL	27,896	46,097	5,808	79,801
Financial liabilities at FVTPL				
Derivative liabilities	—	(31,641)	—	(31,641)
Repurchase agreements	—	(17)	—	(17)
Cash collateral received	—	(1,104)	—	(1,104)
Total financial liabilities at FVTPL	—	(32,762)	—	(32,762)

Transfers between levels of the fair value hierarchy

For recurring fair value measurements, the Group's policy is to recognise transfers into and out of fair value hierarchy levels at the end of the year in which the event or change in circumstances that caused the transfer has occurred.

Transfers between Level 1 and Level 2

During the year, £4,431 million of financial investments were transferred from Level 1 to Level 2 (2024: £190 million) and £348 million of financial investments were transferred out of Level 2 to Level 1 (2024: £1,510 million) based on proprietary metric that reflects the relative strength of the recency, quantity and quality of market data inputs.

Transfers between Level 2 and Level 3

During the year, £339 million of financial investments were transferred from Level 2 to Level 3 (2024: £302 million) and £1,028 million of financial investments were transferred out of Level 3 to Level 2 (2024: £602 million).

Transfers into and out of Level 3 primarily relate to debt securities which are valued using discounted cash flow models. Within the model, interest rate, inflation rate and credit risk assumptions are derived from market data with adjustments applied to ensure they are relevant to the debt securities held by the Group. Where the impact of the adjustments on the value of the debt securities become significant, these securities are classified as Level 3 and transferred from Level 2 to Level 3 at the end of the year. Conversely, where the impact becomes less significant, the securities are classified as Level 2 and transferred out of Level 3 to Level 2.

Notes to the financial statements (continued)

for the year ended 31 December 2025

Movements relating to Level 3 assets during the reporting period are analysed as follows:

31 December 2025	Debt securities £m	Mortgage- backed securities and Asset-backed securities £m	ERMs £m	Participation in investment schemes £m	Derivative assets £m	Total £m
Opening balance	3,750	41	1,043	971	3	5,808
Unrealised gains/(losses) on assets held at the end of the year	72	(1)	47	(54)	—	64
(Losses)/gains on assets sold in year	—	(3)	63	22	—	82
Acquisitions in year	233	42	6	189	—	470
Transfers into Level 3	156	—	—	183	—	339
Transfers out of Level 3	(1,025)	—	—	—	(3)	(1,028)
Disposals in year	(4)	(12)	(110)	(339)	—	(465)
Closing balance	3,182	67	1,049	972	—	5,270

31 December 2024	Debt securities £m	Mortgage- backed securities and Asset-backed securities £m	ERMs £m	Participation in investment schemes £m	Derivative assets £m	Total £m
Opening balance	4,351	55	1,124	991	65	6,586
Unrealised losses on assets held at the end of the year	(400)	(1)	(60)	(68)	—	(529)
Gains/(losses) on assets sold in year	18	1	61	(5)	—	75
Acquisitions in year	187	—	20	334	—	541
Transfers into Level 3	302	—	—	—	—	302
Transfers out of Level 3	(540)	—	—	—	(62)	(602)
Disposals in year	(168)	(14)	(102)	(281)	—	(565)
Closing balance	3,750	41	1,043	971	3	5,808

The following table shows the effect on the fair value of Level 3 financial instruments from changes in key assumptions.

31 December 2025	Sensitivity	Current fair value £m	(Decrease)/ increase in fair value £m	Increase/ (decrease) in fair value £m
Debt securities				
Government bonds	+/- 100 bps credit spread	28	—	—
Corporate bonds	+/- 100 bps credit spread	19	(2)	2
Private investments	+/- 100 bps change in credit spread adjustment	3,135	(388)	480
Mortgage-backed securities and Asset-backed securities				
	+/- 100 bps credit spread	67	—	—
ERMs				
	+/- 100 bps credit spread	1,049	(102)	114
	+/- 5% change in mortality assumption	—	8	(8)
	+/- 20% change in property prices	—	15	(27)
	+/- 1% change in property growth assumption	—	12	(16)
	+/- 10% change in voluntary redemption assumption	—	4	(4)
Participation in investment schemes				
	+/- 10% change in valuation	972	97	(97)
		5,270	(356)	444

Notes to the financial statements (continued)

for the year ended 31 December 2025

31 December 2024	Sensitivity	Current fair value £m	(Decrease)/ increase in fair value £m	Increase/ (decrease) in fair value £m
Debt securities				
Government bonds	+/- 100 bps credit spread	29	(2)	—
Corporate bonds	+/- 100 bps credit spread	5	—	—
Private investments	+/- 100 bps change in credit spread adjustment	3,716	(429)	532
Mortgage-backed securities and Asset-backed securities				
	+/- 100 bps credit spread	41	—	1
ERMs				
	+/- 100 bps credit spread	1,043	(106)	121
	+/- 5% change in mortality assumption	—	6	(7)
	+/- 20% change in property prices	—	12	(23)
	+/- 1% change in property growth assumption	—	11	(14)
	+/- 10% change in voluntary redemption assumption	—	4	(4)
Participation in investment schemes				
	+/- 10% change in valuation	971	97	(97)
Derivatives¹				
	+/- 50 bps inflation rates	3	9	(8)
		5,808	(398)	501

1. To the extent derivatives are held to back policyholder liabilities, any change in the value of derivatives due to changes in inflation rates will be largely offset by equal and opposite impact on insurance contract liabilities. See Note 18 (a) Market risk sensitivities for details.

Collateral

Assets pledged as collateral

The Group pledges/receives collateral in respect of certain securities lending, repurchase agreement, derivative, buy-in and reinsurance contracts. The amount of collateral required is generally determined by the valuation of each contract on a mark-to-market basis and the type of collateral to be deposited is specified within the agreement with each counterparty.

Derivatives and lending arrangements

As explained in Note 14, the Group uses derivative financial instruments as part of its risk management strategy. The Group has collateral agreements with each counterparty based on standard International Swaps and Derivatives Association master netting agreements, which specify minimum thresholds, asset class and credit quality of collateral and the frequency of valuation. Most over-the-counter derivative transactions require collateral to be received or pledged by the Group or its counterparty to mitigate credit risk. Initial margin collateral is transferred on initiation of the derivative trade. The assets are pledged without an outright title transfer and are held by a third party, with title transfer only enforceable following certain specified default events. The second type of collateral arrangement is variation margin, which reflects the market value movement of the trade and is calculated daily. Variation margin collateral is posted on an outright title transfer basis.

The Group also enters into cleared derivative trades, which only require variation margin collateral to be posted as the use of the central clearing party mitigates credit and default risk.

While each party to the contract has a legal right to the collateral received if the counterparty does not meet its obligations, there is no right or intention to settle in the ordinary course of business and, therefore, these agreements do not meet the criteria for offsetting under IAS 32.

The Group returns/receives the collateral received/pledged upon contract termination or settlement. The amount of collateral received/pledged fluctuates due to the changes in fair value of the derivative subject to the minimum thresholds.

Collateral is pledged in the form of securities and cash. The Group retains substantially all the risks and rewards of ownership in respect of non-cash financial assets which have been pledged as security under the terms of derivative contracts and consequently none of these assets have been derecognised in the financial statements. The Group also does not acquire substantially all the risks and rewards of ownership in respect of the transferred securities received as collateral and consequently none of the assets are recognised in the financial statements. Cash collateral pledged is derecognised and a receivable is recognised within other financial assets. Cash collateral received that is not legally segregated from the Group is recognised as an asset and a corresponding liability is recognised for the obligation to return the collateral.

Notes to the financial statements (continued)

for the year ended 31 December 2025

Under securities lending arrangements, the Group lends/borrows an agreed debt security to/from a counterparty and receives/pledges collateral in the form of eligible, investment grade debt securities as a security against potential counterparty default. The amount of collateral received/pledged fluctuates due to changes in fair value of the securities, subject to the minimum thresholds. Although the initial and variation margin assets are provided with an outright title transfer, the Group retains substantially all the risks and rewards of ownership in respect of the transferred assets and consequently none of these assets have been derecognised in the financial statements. The Group is also not exposed to the risks and rewards of ownership of any assets received and, consequently, none of these assets have been recognised in the financial statements. In circumstances where the Group uses back-to-back repurchase and reverse repurchase agreements to effect securities lending, separate financial assets and liabilities are recognised for the cash receivable and payable under the agreements.

Whilst the Group retains the risk and rewards of ownership of collateral pledged with title transfer for derivatives and lending arrangements, the counterparty is free to use the assets without constraint; however, it is obliged to return equivalent assets. PIC retains the right to replace any of the assets with assets of similar nature.

The Group had pledged and received cash and non-cash collateral assets as follows:

	31 December 2025		31 December 2024	
	Pledged £m	Received £m	Pledged £m	Received £m
Derivative transactions	(7,554)	2,982	(7,176)	2,088
Repurchase agreements	(315)	1,382	(17)	878
Securities lending arrangements	(147)	151	—	—
Total	(8,016)	4,515	(7,193)	2,966

The fair value of securities repledged as collateral to other counterparties was £125 million at 31 December 2025 (2024: £nil). PIC is obligated to return equivalent assets. These transactions are conducted in accordance with standard terms which are customary in the market.

Buy-ins

Under the terms of certain agreements, security structures are in place which require PIC to transfer legal title to certain assets back to the Trustee as collateral against PIC default.

Under the terms of the agreements, the Trustee is free to use the assets without constraint; however, it is obliged to deliver equivalent assets as well as the income earned and gains or losses incurred on these assets to PIC. PIC retains the right to replace any of the assets with assets of a similar nature.

Collateral is returned to PIC as it services the insured pension liabilities under the policy. In theory, this exposes PIC to counterparty credit risk which is fully mitigated as PIC has a contractual right to offset its obligation to pay under the policy in the event of default by the Trustee. PIC retains substantially all the risks and rewards of ownership in respect of the transferred assets and accordingly PIC continues to recognise the assets which it has pledged under title transfer security in its financial statements. At 31 December 2025, this totalled £1.9 billion (2024: £2.1 billion).

Reinsurance

In 2025, the Group has £960 million of financial assets which have been pledged as collateral under the terms of certain reinsurance contracts (2024: £568 million). Substantially, all the risks and rewards of ownership in respect of non-cash assets transferred are retained by the Group and consequently none of these assets have been derecognised in the financial statements.

At 31 December 2025, the Group had pledged cash of £19 million (2024: £19 million) as collateral under the terms of certain reinsurance contracts. This amount includes fee collateral of £15 million (2024: £16 million) in two bank accounts operated by PIC which are designated fee collateral bank accounts in respect of longevity reinsurance agreements. The amount deposited in each account represents a proportion of PIC's liability for the payment of fees due over the life of each agreement ("fee collateral amount") and is subject to annual review by each party. PIC retains control of the cash deposited in these accounts; however, it must maintain a balance at least equal to the agreed fee collateral amount and the counterparty has a fixed first charge over the accounts, which gives it the right to withdraw an amount equivalent to its outstanding fees due under the agreement, on the occurrence of certain specified default events.

Where cash collateral is pledged to cover longevity experience directly with the counterparty, the deposit is derecognised and a reinsurance receivable is recognised.

Receivables

Receivables primarily consist of investment settlement receivables, tax recoverable balances and rental income receivables from the Group's investment properties.

Notes to the financial statements (continued)

for the year ended 31 December 2025

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position only when there is an unconditional and a legally enforceable right to offset the recognised amounts in all circumstances (including the default by, or insolvency or bankruptcy, of the Group and all counterparties), and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Realisation of a financial asset and settlement of a financial liability are treated as simultaneous only when the settlements are executed at the same time, or within a single settlement process or cycle, resulting in no or insignificant credit and liquidity risk.

The Group has no financial assets and financial liabilities that have been offset in the Statement of financial position as at 31 December 2025 (2024: £nil).

The table below contains disclosures related to derivatives and repurchase agreements that are subject to enforceable master netting arrangements or similar agreements. Traditional securities lending arrangements do not result in the derecognition/recognition of assets exchanged and are not included in the tables below.

	Gross amounts of recognised financial assets/ (liabilities) £m	Amounts offset in accordance with IAS 32 £m	Net amounts as recognised in the Statement of financial position £m	Related amounts not offset in the Statement of financial position ¹		Net amount £m
				Financial (liabilities)/ assets ² £m	Financial instruments (received)/ pledged as collateral ³ £m	
31 December 2025						
Financial assets						
Derivatives	28,021	—	28,021	(26,630)	(1,041)	350
Repurchase agreements	1,345	—	1,345	(197)	(1,148)	—
Financial liabilities						
Derivatives	(31,696)	—	(31,696)	26,630	5,066	—
Repurchase agreements	(312)	—	(312)	197	115	—

	Gross amounts of recognised financial assets/ (liabilities) £m	Amounts offset in accordance with IAS 32 £m	Net amounts as recognised in the Statement of financial position £m	Related amounts not offset in the Statement of financial position ¹		Net amount £m
				Financial (liabilities)/ assets ² £m	Financial instruments (received)/ pledged as collateral ³ £m	
31 December 2024						
Financial assets						
Derivatives	27,857	—	27,857	(26,976)	(667)	214
Repurchase agreements	853	—	853	(17)	(836)	—
Financial liabilities						
Derivatives	(31,641)	—	(31,641)	26,976	4,665	—
Repurchase agreements	(17)	—	(17)	17	—	—

1. Collateral reported in this table is restricted to the value of the net exposure with the counterparty.

2. Assets and liabilities positions with the same counterparty that have the right to offset on default under a master netting or similar arrangements.

3. Collateral received in the form of financial instruments is not recognised in the Statement of financial position.

Notes to the financial statements (continued)

for the year ended 31 December 2025

14. Derivative and other financial assets/liabilities

Derivatives and other financial assets and liabilities are initially recognised at fair value on the date on which the contract is entered into and are subsequently remeasured at their fair value.

All contracts are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Net gains or losses arising from changes in the fair value of the financial instruments are recognised immediately in the Statement of comprehensive income within the heading investment return.

A financial liability/asset is recognised for cash collateral received/pledged when the cash is not legally segregated from the Group/counterparty.

The Group enters into a number of inflation rate and interest rate swap agreements during the ordinary course of business as part of its risk management strategy to improve the matching of asset and liability cash flows and to ensure that risk driver sensitivities are aligned across the maturity spectrum.

Currency swaps and forward contracts are entered into to eliminate the majority of the currency risk on financial assets invested in non-sterling-based debt securities where liabilities are denominated in sterling.

Cash collateral pledged/received relates to cash collateral posted on derivative contracts.

	31 December 2025		31 December 2024	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Interest rate swaps	23,721	(26,306)	23,813	(25,959)
Inflation swaps	2,595	(2,149)	2,938	(2,074)
Currency swaps	946	(2,114)	646	(2,897)
Total return swaps	744	(1,115)	446	(658)
Foreign exchange forward contracts	15	(12)	14	(53)
Total derivative position	28,021	(31,696)	27,857	(31,641)
Repurchase agreements	1,345	(312)	853	(17)
Cash collateral pledged/received	29	(1,046)	159	(1,104)
Total derivatives and other financial assets/liabilities	29,395	(33,054)	28,869	(32,762)

The Group uses reverse repurchase agreements to earn additional return on surplus cash. Repurchase agreements are entered into for securities lending purposes, rather than financing, and are back-to-back with a reverse repurchase agreement with the same counterparty, for the same nominal amount and are settled on the same day. They are accounted for as separate financial assets and liabilities for the cash receivable and payable as they are separate legal contracts that are not simultaneously settled and the bond and gilt legs have different risks.

Notes to the financial statements (continued)

for the year ended 31 December 2025

15. Deferred tax

Deferred tax is provided on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates ruling at the date the timing difference is expected to reverse.

Deferred tax assets are recognised only to the extent that they are regarded as recoverable, that is to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that sufficient future taxable profits will be available against which the asset can be utilised. The recoverability of deferred tax assets has been assessed at each reporting period based on projected future taxable profits arising from the release of CSM as insurance services are provided.

At 31 December 2025, the Group's deferred tax balances calculated in accordance with IAS 12 "Income Taxes" were as follows:

	Asset £m	Total £m
31 December 2025		
Temporary differences	250	250
31 December 2024		
Temporary differences	288	288

The movement in the deferred tax balance during the year was as follows:

	2025 £m	2024 £m
At beginning of year	288	322
Change in net deferred tax asset due to amortisation of transitional adjustment	(35)	(34)
Change in net deferred tax asset due to other timing differences	(3)	—
At end of year	250	288

On transition to IFRS 17, a deferred tax asset arose on the reversal of previously taxed profits and is supported by projections of future taxable profits. The deferred tax asset is being recovered over a ten-year period from 1 January 2023.

Notes to the financial statements (continued)

for the year ended 31 December 2025

16. Insurance contracts

Contract classification

Insurance contracts are contracts containing significant insurance risk at inception, whereby an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. Policyholder contracts which do not transfer significant insurance risk to the insurer are classified as investment contracts. The Group has classified all its policyholder contracts as insurance contracts, as they contain significant longevity risk.

Contracts held by the Group under which it transfers significant insurance risk (i.e. longevity risk) related to underlying insurance contracts are classified as reinsurance contracts.

The Group's insurance contracts are annuity contracts. Most of the Group's contracts provide a guarantee period for pensions in payment, the ability to take a lump sum on retirement and for deferred policies the ability to take a transfer value. These are all a combination of investment components (payable in all circumstances) and/or refund of premiums. All investment components are considered to be highly interrelated with the insurance component and therefore they are not required to be separated and accounted for as a financial liability. A proportion of the Group's contracts include all risks cover, whereby the Group bears the cost of correcting the contract benefits for certain errors or omissions in the benefit data that may be identified after writing the contracts.

Level of aggregation

Presentation of insurance contracts is at portfolio level, i.e. contracts which have similar risks and are managed together. The Group has a single annuity line of business portfolio. Portfolios are further disaggregated into groups at inception, which become the unit of account for measurement and profit recognition. Insurance contracts are generally grouped at new business contract level for measurement purposes, with the exception of contracts entered into prior to 2016 where the fair value approach has been used. These contracts have been grouped into two units of account as at the date of transition to IFRS 17. One fair value group contains all schemes that would have been profitable if each scheme had been assessed individually, and the other group contains all schemes that would have been onerous if assessed individually. The fair value premium for each group has been calculated using the assumption that it is for a large bulk annuity transaction, resulting in both groups being onerous at the date of transition.

Contract boundaries

The measurement of a contract includes all of the future cash flows within the boundary of the contract. The Group's contracts arise mainly from buy-in contracts where the premium includes a transition to buyout. Therefore, all benefits up to the last possible payment date as well as associated expenses will fall within the contract boundary.

Recognition and derecognition

Groups of insurance contracts are initially recognised from the earliest of:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group is due, or actually received if there is no due date; or
- For a group of onerous contracts, the date the Group is legally committed to the contract.

When a buy-in contract transfers to a buyout, no derecognition event occurs as the buyout terms are specified in the original contract.

Initial measurement

A group of insurance contracts is initially measured using the General Measurement Model as the total of:

- (a) The fulfilment cash flows, which comprise: (i) estimates of future cash flows, (ii) an adjustment to reflect the time value of money and the financial risks related to the future cash flows, and (iii) a risk adjustment for non-financial risk (i.e. the compensation for bearing the uncertainty about the amount and timing of the cash flows that arise from longevity and expense risk).
- (b) The CSM is a component of the liability for the group of insurance contracts that represents the unearned profit recognised as services are provided over time. The CSM results in no initial profit being recognised for profitable contracts. If the net cash flow is negative, the contract is onerous and a loss is immediately recognised in insurance service expenses. As a result, a loss component of the liability for remaining coverage is created, which determines the amounts subsequently presented in the Statement of comprehensive income as reversals of losses on onerous contracts which are excluded from insurance revenue (see Note 2).

Acquisition costs arising before the recognition of the related insurance contract(s) are recognised as an asset (presented within insurance contract liabilities). The asset is subsequently derecognised and included in the measurement of the related insurance contract(s) on initial recognition.

Notes to the financial statements (continued)

for the year ended 31 December 2025

Subsequent measurement

The carrying amount of a group of insurance contracts at the end of each reporting period is the sum of:

- (a) The liability for remaining coverage comprising: (i) the fulfilment cash flows related to services that will be provided under the contracts in future periods and, (ii) any remaining CSM of the group at that date.
- (b) The liability for incurred claims, comprising the fulfilment cash flows for incurred claims that have not yet been paid.

The fulfilment cash flows of groups of insurance contracts are measured at the reporting dates using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk (see Note 16(e) for details). The release of the liability for remaining coverage to revenue for the period is calculated as the expected fulfilment cash flows at the beginning of the period, together with the CSM recognised for coverage provided in the period.

The carrying amount of the CSM at the end of the period is the carrying amount at the start of the period, adjusted for:

- Interest accreted at the locked discount rate at inception of the contract;
- Premium and acquisition cost adjustments relating to future service;
- Changes in fulfilment cash flows that relate to future service of profitable contracts (note that changes relating to current or past service are recognised in profit and loss), calculated at the locked discount rate at initial recognition of the group of contracts; and
- The amount recognised as insurance revenue for the period. The amount of CSM recognised as insurance revenue is based on coverage provided during the period. See Note 16(e) Significant estimates and judgements for details.

For onerous contracts, the Group allocates the following between the loss component and the remaining component of the liability for remaining coverage for the respective group of contracts based on the ratio of the loss component to the fulfilment cash flows relating to the expected future cash outflows:

- Expected incurred claims and expenses for the period;
- Changes in risk adjustment for non-financial risk for the risk expired; and
- Finance income or expenses from insurance contracts issued.

The loss component is updated for changes in the estimation of fulfilment cash flows which relate to future service, for example, from change to non-financial assumptions. Where decreases in the fulfilment cash flows relating to remaining coverage in subsequent periods reduce the remaining loss component to nil, a CSM is reinstated.

The Group has taken the accounting policy choice to disaggregate the effect of changes in the discount rate on the risk adjustment through insurance finance income or expense and the remaining movement of the risk adjustment recognised in the insurance service result.

See Note 2 for further details of policies in relation to the presentation of the insurance service result in the Statement of comprehensive income.

Foreign currency business

Where groups of contracts have cash flows in more than one currency, there are two potential accounting approaches:

- The group of insurance contracts (including the contractual service margin) is considered to be denominated in a single currency. The single currency might be the currency of the premiums or the currency of the predominant cash flows. Fulfilment cash flows are retranslated as a financial assumption change through insurance finance income and expenses, but the CSM is not subsequently retranslated for changes in exchange rates.
- The group of insurance contracts (including the contractual service margin) is considered to be denominated in multiple currencies, reflecting the currencies of the fulfilment cash flows. Both the fulfilment cash flows and CSM are retranslated for changes in exchange rates.

The Group's policy is to apply a single currency approach where the cash flows of the group of contracts are predominantly (>75%) in a single currency.

Notes to the financial statements (continued) for the year ended 31 December 2025

Reinsurance

The same accounting policies as above apply for reinsurance contracts, with the following modifications.

Level of aggregation

Reinsurance contracts are generally grouped at reinsurance contract level for measurement purposes, with the exception of contracts entered into prior to 2016 where the fair value approach has been used. These contracts have been grouped into two units of account as at the date of transition to IFRS 17. One fair value group contains all treaties that would have been net gain if each treaty had been assessed individually, and the other group contains all treaties that would have been net cost if assessed individually.

Contract boundaries

Under reinsurance arrangements, none of the parties involved have unilateral termination rights, so the boundary follows that of the related gross contract.

Initial recognition

The majority of the Group's reinsurance contracts provide non-proportionate cover and are recognised from the earlier of:

- The beginning of the coverage period of the group of reinsurance contracts held; and
- The date when an onerous group of underlying insurance contracts is recognised, if the related reinsurance contract held is entered into at or before that date.

Reinsurance contracts that provide proportionate cover are recognised at the later of the beginning of the coverage period and the initial recognition date of the underlying scheme.

Initial measurement

On initial recognition, the Group measures the estimate of the present value of the expected future cash flows and an adjustment for any expected risk of non-performance by the reinsurer. The risk adjustment for non-financial risk reflects the amount of the risk adjustment on the related insurance contract that is transferred to the reinsurer.

The CSM of a group of reinsurance contracts on initial recognition represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of the fulfilment cash flows, any derecognised assets for cash flows occurring before the recognition of the group and any cash flows arising at that date.

Subsequent measurement

The carrying amount of a group of reinsurance contracts at each reporting date is the sum of:

- The remaining coverage, comprising the fulfilment cash flows that relate to services that will be received under the contracts in future periods and any remaining CSM at that date; and
- The incurred claims, comprising the fulfilment cash flows related to past service.

A reinsurance CSM is held for contracts in either a net gain or net cost position.

Reinsurance of onerous underlying insurance contracts – loss-recovery components

If a reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognised, the Group adjusts the reinsurance CSM of the corresponding reinsurance unit of account to reflect the recovery of the reinsured element of the loss on initial recognition of the onerous underlying contracts. The gain is recognised in the Statement of comprehensive income.

For all reinsurance contracts, adjustments are then subsequently made to the loss-recovery component, or a loss-recovery component is established to reflect subsequent changes in the loss component of the onerous group of underlying contracts, limited to the proportion of the loss component that the Group expects to recover from the reinsurance contracts.

Net expenses from reinsurance contracts

Income and expenses from reinsurance contracts, excluding insurance finance income and expenses, are presented on a net basis as "net expenses from reinsurance contracts" in the insurance service result. See Note 2.

Notes to the financial statements (continued)

for the year ended 31 December 2025

	Note	31 December 2025		31 December 2024	
		Assets £m	Liabilities £m	Assets £m	Liabilities £m
Insurance contract balances	16a		50,570		44,303
Asset for insurance acquisition cash flows	16f		—		—
Total insurance contracts			50,570		44,303
Expected to be settled more than 12 months after the reporting date			47,498		41,703
Reinsurance contract balances	16b	3,793		2,036	
Total reinsurance contracts		3,793		2,036	
Expected to be recovered more than 12 months after the reporting date		3,743		2,034	

The Group uses reinsurance, predominantly longevity swap reinsurance and quota share ("funded") reinsurance, to minimise the risk and uncertainty arising through future longevity experience.

The following reconciliations show how the net carrying amount of insurance and reinsurance contracts changed during the year as a result of cash flows and amounts recognised in the Statement of comprehensive income.

The first reconciliation analyses the movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the Statement of comprehensive income.

The second reconciliation analyses the changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

a. Insurance contracts

i) Analysis by remaining coverage and incurred claims

2025 £m	Note	Liabilities for remaining coverage		Liabilities for incurred claims ^a	Total
		Excluding loss component	Loss component		
Opening liabilities		44,408	72	(177)	44,303
Changes in Statement of comprehensive income					
Insurance revenue					
Contracts under the fair value approach		(626)	—	—	(626)
Other contracts		(2,178)	—	—	(2,178)
	2	(2,804)	—	—	(2,804)
Insurance service expenses					
Incurred claims and other insurance service expenses		—	(4)	2,359	2,355
Amortisation of insurance acquisition cash flows	2	28	—	—	28
Losses for the net outflow recognised on initial recognition	16c	—	12	—	12
Reversals of losses on onerous contracts		—	(40)	—	(40)
	2	28	(32)	2,359	2,355
Investment components and refund of premiums		(428)	—	428	—
Insurance service result		(3,204)	(32)	2,787	(449)
Net finance expense from insurance contracts	3	2,725	4	—	2,729
Total changes in the Statement of comprehensive income		(479)	(28)	2,787	2,280
Cash flows					
Premiums received		6,840	—	—	6,840
Claims and other insurance service expenses paid, including investment components		—	—	(2,730)	(2,730)
Insurance acquisition cash flows		(123)	—	—	(123)
Total cash flows		6,717	—	(2,730)	3,987
Closing liabilities		50,646	44	(120)	50,570

a) Prepayments of claims resulted in a negative liability for incurred claims.

During the year, the Group recognised some onerous new business contracts, resulting in the recognition of a loss component. These contracts were expected to be profitable on a net of reinsurance basis. However, as any related reinsurance contracts were not entered into before or at the same time as the underlying contracts, IFRS does not allow for the recognition of an offsetting loss recovery component at initial recognition.

Notes to the financial statements (continued)

for the year ended 31 December 2025

2024 £m	Note	Liabilities for remaining coverage		Liabilities for incurred claims ^a	Total
		Excluding loss component	Loss component		
Opening liabilities		41,377	—	(171)	41,206
Changes in Statement of comprehensive income					
Insurance revenue					
Contracts under the fair value approach		(601)	—	—	(601)
Other contracts		(1,781)	—	—	(1,781)
	2	(2,382)	—	—	(2,382)
Insurance service expenses					
Incurred claims and other insurance service expenses		—	(3)	2,033	2,030
Amortisation of insurance acquisition cash flows	2	26	—	—	26
Losses for the net outflow recognised on initial recognition	16c	—	76	—	76
Reversals of losses on onerous contracts		—	(1)	—	(1)
	2	26	72	2,033	2,131
Investment components and refund of premiums		(410)	—	410	—
Insurance service result		(2,766)	72	2,443	(251)
Net finance income from insurance contracts	3	(1,918)	—	—	(1,918)
Total changes in the Statement of comprehensive income		(4,684)	72	2,443	(2,169)
Cash flows					
Premiums received		7,831	—	—	7,831
Claims and other insurance service expenses paid, including investment components		—	—	(2,449)	(2,449)
Insurance acquisition cash flows		(116)	—	—	(116)
Total cash flows		7,715	—	(2,449)	5,266
Closing liabilities		44,408	72	(177)	44,303

a) Prepayments of claims resulted in a negative liability for incurred claims.

During 2024, the Group recognised some onerous new business contracts, resulting in the recognition of a loss component. These contracts were expected to be profitable on a net of reinsurance basis. However, as any related reinsurance contracts were not entered into before or at the same time as the underlying contracts, IFRS does not allow for the recognition of an offsetting loss recovery component at initial recognition.

Notes to the financial statements (continued)

for the year ended 31 December 2025

ii) Analysis by measurement component

2025 £m	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM		Total
				Contracts under fair value approach	Other contracts	
Opening liabilities		38,897	1,249	574	3,583	44,303
Changes in Statement of comprehensive income						
<i>Changes that relate to current services</i>						
CSM recognised for services provided	2	—	—	(37)	(242)	(279)
Change in risk adjustment for non-financial risk for risk expired	2	—	(94)	—	—	(94)
Experience adjustments		(48)	—	—	—	(48)
<i>Changes that relate to future services</i>						
Contracts initially recognised in the year	16c	(254)	189	—	77	12
Changes in estimates that adjust the CSM ^a		(606)	(46)	115	537	—
Changes in estimates that result in losses and reversal of losses on onerous contracts ^b		(39)	(1)	—	—	(40)
Insurance service result		(947)	48	78	372	(449)
Net finance expense from insurance contracts ^c	3	2,504	94	12	119	2,729
Total changes in the Statement of comprehensive income		1,557	142	90	491	2,280
Cash flows						
Premiums received		6,840	—	—	—	6,840
Claims and other insurance service expenses paid, including investment components		(2,730)	—	—	—	(2,730)
Insurance acquisition cash flows	16f	(123)	—	—	—	(123)
Total cash flows		3,987	—	—	—	3,987
Closing liabilities		44,441	1,391	664	4,074	50,570

a) Changes in the estimation of the fulfilment cash flows that are taken to the CSM primarily relate to the following non-financial assumption changes:

- Updates to longevity, expense assumptions and data updates resulting in a decrease in estimates of future cash flows and risk adjustment with a corresponding increase in CSM.
- Updates to other demographic assumptions resulting in a decrease in estimates of future cash flows and risk adjustment, and corresponding increase in CSM.

b) Changes in estimates that result in losses and reversal of losses on onerous contracts reflect the impact of non-financial assumption changes and data updates on onerous contracts, which partially reversed losses previously recognised.

c) Net finance expense from insurance contracts reflects unwind of discount rates, accretion of interest and a lower liquidity premium.

Notes to the financial statements (continued)

for the year ended 31 December 2025

2024 £m	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM		Total
				Contracts under fair value approach	Other contracts	
Opening liabilities		36,008	1,228	533	3,437	41,206
Changes in Statement of comprehensive income						
Changes that relate to current services						
CSM recognised for services provided	2	—	—	(32)	(213)	(245)
Change in risk adjustment for non-financial risk for risk expired	2	—	(42)	—	—	(42)
Experience adjustments		(39)	—	—	—	(39)
Changes that relate to future services						
Contracts initially recognised in the year	16c	(267)	268	—	75	76
Changes in estimates that adjust the CSM ^a		(245)	17	60	168	—
Changes in estimates that result in losses and reversal of losses on onerous contracts		(1)	—	—	—	(1)
Insurance service result		(552)	243	28	30	(251)
Net finance income from insurance contracts ^b	3	(1,825)	(222)	13	116	(1,918)
Total changes in the Statement of comprehensive income		(2,377)	21	41	146	(2,169)
Cash flows						
Premiums received		7,831	—	—	—	7,831
Claims and other insurance service expenses paid, including investment components		(2,449)	—	—	—	(2,449)
Insurance acquisition cash flows	16f	(116)	—	—	—	(116)
Total cash flows		5,266	—	—	—	5,266
Closing liabilities		38,897	1,249	574	3,583	44,303

a) Changes in the estimation of the fulfilment cash flows that are taken to the CSM primarily relate to the following non-financial assumption changes:

- Updates to residual risk reserves resulting in a decrease in estimates of future cash flows as well as a corresponding increase in CSM.
- Updates to demographic and expense assumptions, resulting in a decrease in estimates of future cash flows and risk adjustment, and corresponding increase in CSM.

b) Net finance income from insurance contracts reflects economic movements, mainly driven by increases in the risk-free curve and liquidity premium. The unwind of discount on estimates of future cash flows and risk adjustment, and accretion of interest on the CSM are also included.

Notes to the financial statements (continued)

for the year ended 31 December 2025

b. Reinsurance contracts

i) Analysis by remaining coverage and incurred claims

2025 £m	Note	Assets for remaining coverage		Asset for incurred claims	Total
		Excluding loss recovery component	Loss recovery component		
Opening reinsurance assets		77	—	1,959	2,036
Changes in Statement of comprehensive income					
Allocation of premiums paid		(2,092)	—	—	(2,092)
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	2	—	—	1,953	1,953
Investment components and refund of premiums		(33)	—	33	—
Net finance income from reinsurance contracts	3	310	—	—	310
Total changes in the Statement of comprehensive income		(1,815)	—	1,986	171
Cash flows					
Premiums paid		3,491	—	—	3,491
Amounts received		—	—	(1,905)	(1,905)
Total cash flows		3,491	—	(1,905)	1,586
Closing reinsurance assets		1,753	—	2,040	3,793

During the year, the Group recognised some onerous new business contracts, resulting in the recognition of a loss component. These contracts were expected to be profitable on a net of reinsurance basis. However, as any related reinsurance contracts were not entered into before or at the same time as the underlying contracts, IFRS does not allow for the recognition of an offsetting loss recovery component at initial recognition.

2024 £m	Note	Assets for remaining coverage		Asset for incurred claims	Total
		Excluding loss recovery component	Loss recovery component		
Opening reinsurance assets		604	—	1,717	2,321
Changes in Statement of comprehensive income					
Allocation of premiums paid		(1,782)	—	—	(1,782)
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expense	2	—	—	1,697	1,697
Investment components and refund of premiums		(24)	—	24	—
Effect of changes in non-performance risk of reinsurers		27	—	—	27
Net finance expense from reinsurance contracts	3	(253)	—	—	(253)
Total changes in the Statement of comprehensive income		(2,032)	—	1,721	(311)
Cash flows					
Premiums paid		1,505	—	—	1,505
Amounts received		—	—	(1,479)	(1,479)
Total cash flows		1,505	—	(1,479)	26
Closing reinsurance assets		77	—	1,959	2,036

During 2024, the Group recognised some onerous new business contracts, resulting in the recognition of a loss component. These contracts were expected to be profitable on a net of reinsurance basis. However, as any related reinsurance contracts were not entered into before or at the same time as the underlying contracts, IFRS does not allow for the recognition of an offsetting loss recovery component at initial recognition.

Notes to the financial statements (continued)

for the year ended 31 December 2025

ii) Analysis by measurement component

2025 £m	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM		Total
				Contracts under fair value approach	Other contracts	
Opening reinsurance assets		411	978	(87)	734	2,036
Changes in Statement of comprehensive income						
<i>Changes that relate to current services</i>						
CSM recognised for services received		—	—	2	(54)	(52)
Change in risk adjustment for non-financial risk for risk expired		—	(69)	—	—	(69)
Experience adjustments		(18)	—	—	—	(18)
<i>Changes that relate to future services</i>						
Contracts initially recognised in the year	16c	34	219	—	(253)	—
Changes in estimates that adjust the CSM ^a		(388)	(32)	65	355	—
Net expenses from reinsurance contracts		(372)	118	67	48	(139)
Net finance income from reinsurance contracts ^b	3	236	66	(2)	10	310
Total changes in the Statement of comprehensive income		(136)	184	65	58	171
Cash flows						
Premiums paid		3,491	—	—	—	3,491
Amounts received		(1,905)	—	—	—	(1,905)
Total cash flows		1,586	—	—	—	1,586
Closing reinsurance assets		1,861	1,162	(22)	792	3,793

a) Changes in estimates that adjust the CSM primarily relate to non-financial assumption changes including demographic assumption changes and data updates.

b) Net finance income from reinsurance contracts reflects unwind of discount rates, accretion of interest and a lower liquidity premium.

Notes to the financial statements (continued)

for the year ended 31 December 2025

2024 £m	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM		Total
				Contracts under the fair value approach	Other contracts	
Opening reinsurance assets		572	1,015	(116)	850	2,321
Changes in Statement of comprehensive income						
<i>Changes that relate to current services</i>						
CSM recognised for services received		—	—	6	(49)	(43)
Change in risk adjustment for non-financial risk for risk expired		—	(29)	—	—	(29)
Experience adjustments		(13)	—	—	—	(13)
<i>Changes that relate to future services</i>						
Contracts initially recognised in the year	16c	7	168	—	(175)	—
Changes in estimates that adjust the CSM ^a		(97)	(17)	26	88	—
Effect of changes in non-performance risk of reinsurers ^b		27	—	—	—	27
Net expenses from reinsurance contracts		(76)	122	32	(136)	(58)
Net finance expense from reinsurance contracts ^c	3	(111)	(159)	(3)	20	(253)
Total changes in the Statement of comprehensive income		(187)	(37)	29	(116)	(311)
Cash flows						
Premiums paid		1,505	—	—	—	1,505
Amounts received		(1,479)	—	—	—	(1,479)
Total cash flows		26	—	—	—	26
Closing reinsurance assets		411	978	(87)	734	2,036

a) Changes in estimates that adjust the CSM primarily relate to non-financial assumption changes including demographic and expense assumption updates, and data updates.

b) As a result of enhancements to counterparty default methodology and assumptions.

c) Net finance expense from reinsurance contracts reflect economic movements, mainly driven by increases in the risk-free curve and liquidity premium. This line item also includes the unwind of discount on future cash flows and risk adjustment, as well as interest accreted on the CSM.

c. Contracts recognised in the year

Effect of insurance contracts initially recognised in the year

£m	2025			2024		
	Profitable contracts issued	Onerous contracts issued	Total	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	113	10	123	57	59	116
Claims and other insurance service expenses payable	5,809	566	6,375	3,654	4,027	7,681
Estimates of present value of cash outflows	5,922	576	6,498	3,711	4,086	7,797
Estimates of present value of cash inflows	(6,170)	(582)	(6,752)	(3,914)	(4,150)	(8,064)
Risk adjustment for non-financial risk	171	18	189	128	140	268
CSM	77	—	77	75	—	75
Losses on initial recognition	—	12	12	—	76	76

During both 2025 and 2024, the Group recognised some onerous new business contracts, resulting in the recognition of a loss component. These contracts were expected to be profitable on a net of reinsurance basis. However, as any related reinsurance contracts were not entered into before or at the same time as the underlying contracts, IFRS does not allow for the recognition of an offsetting loss recovery component at initial recognition.

Notes to the financial statements (continued)

for the year ended 31 December 2025

Reinsurance contracts recognised in the year

£m	2025			2024		
	Contracts initiated without loss recovery component	Contracts initiated with loss recovery component	Total	Contracts initiated without loss recovery component	Contracts initiated with loss recovery component	Total
Estimates of present value of cash inflows	6,169	—	6,169	4,920	—	4,920
Estimates of present value of cash outflows	(6,135)	—	(6,135)	(4,913)	—	(4,913)
Risk adjustment for non-financial risk	219	—	219	168	—	168
CSM	(253)	—	(253)	(175)	—	(175)
Gain recognised due to onerous underlying contracts	—	—	—	—	—	—

d. Contractual service margin ("CSM")

The following table illustrates when the Group expects to recognise the remaining CSM as revenue. Future interest accretion on the CSM is excluded from the figures below. Also, please refer to Notes 16a (ii) and 16b (ii) for further information on CSM movements.

	Less than 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	5-10 years £m	10-20 years £m	More than 20 years £m	Total £m
2025									
Insurance	275	265	255	246	236	1,040	1,409	1,012	4,738
Reinsurance	(42)	(41)	(40)	(39)	(38)	(169)	(237)	(164)	(770)
	Less than 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	5-10 years £m	10-20 years £m	More than 20 years £m	Total £m
2024									
Insurance	234	226	218	210	202	896	1,239	932	4,157
Reinsurance	(33)	(32)	(31)	(30)	(30)	(135)	(198)	(158)	(647)

e. Significant estimates and judgements

Fulfilment cash flows

Estimates of cash flows

The Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date in determining the estimated cash flows. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract. These include premiums, benefit payments to policyholders, insurance acquisition cash flows, policy administration and maintenance costs and other costs that are incurred in fulfilling and enhancing the benefits of contracts, such as investment expenses.

Directly attributable acquisition and maintenance costs include the costs of direct functions, such as origination, transitions, operations and investments, dealing and hedging costs related to the acquisition of investments backing policyholder liabilities as well as a portion of overheads. Overheads include an apportionment of other functions across the business, as well as premises costs. These costs are only included as directly attributable to the extent they relate to activities carried out to support the direct functions. Cash flows are attributed to acquisition activities, other fulfilment activities and other activities using activity-based techniques and are consistently applied to all costs that have similar characteristics. Strategic and shareholder-related costs, that relate to central corporate activity, as well as the majority of project costs that are one-off in nature, are considered outside the contract boundaries.

Uncertainty in the estimation of benefit payments to policyholders arises primarily from uncertainties regarding long-term changes in mortality rates and other demographic assumptions, future inflation rates and future levels of expenses. Assumptions used to develop estimates for future cash flows are reassessed at each reporting date and adjusted where required.

Notes to the financial statements (continued)

for the year ended 31 December 2025

Mortality

Best estimate mortality assumptions are used when estimating future cash flows. The Group breaks down mortality into rates today ("base mortality assumptions") and how these rates will change in the future ("future mortality improvements assumptions").

Base mortality assumptions are expressed relative to the Self-Administered Pension Scheme ("SAPS") S3 series tables which were published in 2018 by the Continuous Mortality Investigation ("CMI"), a research body with strong links to the Institute and Faculty of Actuaries. The Group makes several adjustments to reflect how its internal mortality experience differs to the reference population used for the S3 tables, and to allow for policyholder-specific mortality rating factors such as postcode and pension amounts.

The Group uses the CMI's mortality projections model (CMI_2024 at year end 2025) to improve S3 mortality rates to the valuation date, and to project future improvements in mortality rates. The CMI_2024 model used by the Group is parameterised using a combination of historical mortality improvement analysis and forward-looking scenarios which utilise external industry studies, wider population mortality trends and emerging longevity science developments.

	Mortality projection model	Mortality table used and adjustments	Adjustments for long-term mortality improvements
2025			
Male	CMI_2024	98% of S3PML with base year 2013	1.50%
Female	CMI_2024	98% of S3PFL/S3DFL with base year 2013	1.50%
2024			
Male	CMI_2022	97% of S3PML with base year 2013	1.75%
Female	CMI_2022	97% of S3PFL/S3DFL with base year 2013	1.75%

Risk Adjustment for non-financial risk

The RA is an amount required within fulfilment cash flows, in addition to the estimate of the present value of future cash flows. It reflects the compensation required for uncertainty in the amount and timing of cash flows that arises from non-financial risks as the insurance or reinsurance contract is fulfilled. The non-financial risks covered by the RA are predominantly longevity risk, including current rates of mortality and future improvements in mortality, and expense risk. Other less significant risks covered by the RA include spouse demographic risk, retirement timing risk and cash commutation take-up risk.

The Group uses a confidence interval ("value at risk") approach set at the 85th percentile (2024: 85th percentile) over one year, representing the possibility that the present value of the future cash flows could increase under certain adverse scenarios. Estimates of reasonably possible outcomes are made using probability distributions and risk correlations underlying the Group's Solvency II Internal Model, and taking into account the degree of diversification benefits. The risk adjustment for reinsurance is calculated as the difference between the risk adjustment on a gross basis before allowance for reinsurance cash flows less the net risk adjustment calculated after allowance for reinsurance cash flows.

The net of reinsurance RA measured over the remaining lifetime corresponds to a 70% confidence level (2024: 69%). This has been determined in line with the run-off profile of the Group's business and the underlying non-financial risks.

Notes to the financial statements (continued)

for the year ended 31 December 2025

Financial assumptions

The Group considers discount rates, index-linked inflation and exchange rates on foreign currency business as financial assumptions.

i) Discount rates

The present value of future cash flows and the RA are discounted to reflect the time value of money and the illiquidity inherent in the liabilities. As liability discount rates are not observable, an appropriate discount rate has been set by considering the yield on a portfolio of assets (a "reference portfolio") that reflects the characteristics of the liabilities. The yield is then adjusted to remove features that are not relevant to the liabilities (a "top down" approach). The Group holds assets in a matching fund with the aim of meeting liability cash flows. It is considered that these assets represent a reasonable reference portfolio for the IFRS 17 discount rate. In circumstances where there is a time lag between the receipt of the premium and subsequent investment in the anticipated portfolio of assets, the reference portfolio used to determine the discount rate includes an adjustment to reflect the anticipated assets.

An adjustment is made to the asset yield to remove the impact of expected credit risk and any remaining cash flow mismatches. The credit adjustment has been set based on historic average default rates and allows for expected recovery rates in the event of default.

Whilst the Matching Adjustment fund assets are held to meet the liabilities as they fall due, there is inevitably a small level of cash flow mismatch. An adjustment is made for reinvestment/disinvestment of cash flows as required.

The liabilities are discounted by a fixed addition over the risk-free swap curve.

	2025	2024
Yield on assets in reference portfolio	6.2%	6.3%
Adjustment for credit risk and cash flow mismatches	(0.4%)	(0.4%)
Liability discount rate	5.8%	5.9%
Expressed as a spread over risk-free swap rates	1.5%	1.7%

Risk-free swap rates are obtained based on the prices of market swap rates up to 60 years (2024: up to 60 years), following which the curve is set to trend towards an ultimate forward rate of 3.3% (2024: 3.3%), using a Smith-Wilson approach.

The GBP yield curve that is used to discount the estimates of future cash flows is as follows:

	2025					2024				
Tenor (years)	1	5	10	20	30	1	5	10	20	30
Rate (%)	5.1%	5.2%	5.6%	6.0%	6.1%	6.2%	5.8%	5.8%	6.0%	6.0%

As the Group writes new business and enters into new reinsurance, the assets will be selected to optimise portfolio returns and capital, so are different to assets already held in the reference portfolio. The new business and new reinsurance discount rates are based on market conditions and the anticipated portfolio of assets to support the new group at the initial recognition date, with adjustments to remove the impacts of credit risk and any cash flow mismatch. During 2025, new business and new reinsurance discount rates that have been used to set the initial CSM and loss component averaged 6.0% (2024: 5.2%). The assets within the reference portfolio change over time. This is due to differences between assets being bought in connection with new business and any anticipated assets, improving cash flow matching with liabilities, concerns over credit risk and to improve capital efficiency.

The fulfilment cash flows accrete interest using current discount rates. The CSM accretes interest using the locked discount rate at inception of each group of contracts.

ii) Inflation

Inflation assumptions are relevant to the projection of future policyholder benefits and expenses. Most policyholder benefits are linked to a type of Limited Price Indexation ("LPI"), with other benefits linked to the Retail Price Index ("RPI") or the Consumer Price Index ("CPI"). The assumption for expected future RPI inflation is based on a curve derived from the market prices of inflation-linked swap contracts. The CPI inflation assumption is also derived from this curve, with an additional term-dependent allowance for the expected gap between CPI inflation and RPI inflation. For LPI linked annuities, which are generally subject to maximum and minimum percentage annual increases, a mark-to-model approach is used to derive inflation assumptions that allow for the inherent optionality, as there is currently no deep and liquid market in appropriate swap contracts. Around three quarters of the Group's gross benefit payments are linked to inflation, of which the substantial majority have a cap or floor on indexation.

Notes to the financial statements (continued)

for the year ended 31 December 2025

Contractual service margin

The CSM for a group of insurance contracts is recognised as insurance revenue in each period based on the number of coverage units provided in the period. This is determined for each group by considering the quantity of the benefits provided to the policyholder and the expected coverage duration. The Group applies the “annuity payment method” for determining coverage units, as annuity payments made are reflective of the quantity of benefits provided.

The total number of coverage units provided in the period to retired policyholders is the expected annuity payments, including allowance for benefit inflation where payments contractually increase with inflation. Annuity payments are considered a suitable proxy for investment return service provided during annuity payment guarantee periods (typically five years), as this aligns with the insurance coverage measure and avoids more complex alternatives that are not necessarily any more meaningful.

For policyholders who have not yet retired, the total number of coverage units over the life of the contract (i.e. in the periods both before and after retirement), is a weighted combination of the following three types of coverage units:

- the potential amount that might be paid to spouses if the annuity should come into payment on the death of the first life in the deferred period. This reflects insurance provided in the deferred period;
- the expected investment return on the transfer value that the policyholder is eligible to take in the deferred period. This is considered appropriate as it reflects the investment activities that PIC performs to generate investment return and protect policyholder benefits; and
- the expected annuity payments made to policyholders from retirement. This is consistent with coverage units of retired policyholders.

The number of coverage units provided in the deferred period is equal to the sum of the first two types of coverage unit only, and the number of coverage units provided once the policyholder has retired is equal to the third type of coverage unit only. This weighted combination reflects management’s view that the value of services relating to each type of coverage unit are broadly comparable to each other.

The total number of remaining coverage units until the end of the contract is discounted using rates locked at inception of the contract.

An analysis of the expected timing of the allocation of the CSM to profit or loss is disclosed in Note 16(d).

Loss components and loss recovery components

Loss components are systematically released over time as the related fulfilment cash flows leading to the loss are incurred, based on a loss component proportion, equal to the loss component divided by the present value of fulfilment cash flows. The related reinsurance loss-recovery component is released on a similar basis.

Foreign currency business

A limited number of groups have a small proportion of Euro-denominated liabilities, where a single currency approach is applied.

f. Acquisition costs

Costs incurred in the acquisition of new business which has not been written yet can be analysed as follows:

	2025 £m	2024 £m
Opening balance	—	—
Expenses incurred during the period	123	116
Amounts allocated to contracts recognised in the period	(123)	(116)
Net closing balance	—	—

Notes to the financial statements (continued)

for the year ended 31 December 2025

17. Borrowings

Borrowings are recognised initially at fair value, which is the cash consideration received net of transaction costs incurred. Borrowings classified as liabilities are subsequently stated at amortised cost. The difference between the net proceeds and the redemption value is recognised in the Statement of comprehensive income over the borrowing period using the effective interest method.

Subordinated loan notes				2025		2024	
Par amount	Issue date	Maturity date	Coupon	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
£250m*	23 Nov 2016	23 Nov 2026	8.0%	26	27	26	28
£350m	20 Sep 2018	20 Sep 2030	5.625%	349	361	349	345
£300m	7 May 2020	7 May 2031	4.625%	299	299	299	283
£400m	21 Oct 2020	21 Oct 2032	3.625%	398	360	398	335
£500m	13 Nov 2023	13 Nov 2033	8.0%	496	567	495	543
£500m	15 May 2024	15 Nov 2034	6.875%	496	530	495	506
Total				2,064	2,144	2,062	2,040

* The carrying values of loan note maturing in 2026 has reduced to £26 million following the partial redemption in 2024.

On 15 May 2024, PIC issued £500 million of subordinated loan notes, maturing in 2034, with a fixed coupon of 6.875% paid annually in arrears. These notes were issued at 99.7% of par. Following the issue, PIC redeemed £203 million of the 2014 debt issue and £21 million of the 2016 debt issue for a total cost of £225 million.

All notes represent direct, unsecured and subordinated obligations of PIC, and are classified as qualifying dated Tier 2 securities for the purposes of regulatory capital requirements. The notes are listed on the London Stock Exchange.

The fair value is the quoted price of the loan notes. The loan notes have been classified as Level 1 in the fair value hierarchy.

Finance costs comprise the interest expense on borrowings, which is calculated using the effective interest method. For the year ended 31 December 2025, interest expenses of £127 million (2024: £120 million) were recognised in the Statement of comprehensive income in respect of the notes.

The table below provides a reconciliation between opening and closing borrowings:

	2025 £m	2024 £m
At beginning of year	2,062	1,789
Amortisation	2	2
Additions	—	495
Redemptions	—	(225)
Loss on redemption of subordinated debt	—	1
At end of year	2,064	2,062

18. Risk management

As a provider of insurance solutions to defined benefit pension schemes, the Group's business involves the acceptance and management of risk to achieve its strategic objectives.

The principal risk factors which affect the Group's operating results and financial condition include financial risks such as solvency and liquidity (impacted by market risk, credit and counterparty risk and insurance risk), operational risk, conduct risk and franchise value risk (including sustainability risk). Other risks are also detailed within this section.

The Directors have overall responsibility for the management of the exposure to these risks. They are supported through the formal committees of the PIC Board including the Investment and Origination Committee, Audit Committee, Nomination Committee, Remuneration Committee, Board Risk Committee and Board Customer Committee. The membership of these committees is mainly comprised of Non-Executive Directors. Executive Directors and relevant senior management attend meetings as required. The Board retains direct responsibility for reputational risk. Risk, Compliance, Actuarial and Internal Audit functions provide coordinated assurance in the monitoring of the internal risk and control environment.

The management and control of the Group's risks is a significant focus area for the Board, as an uncontrolled and unmanaged crystallisation of risk could affect the Group's performance and capital adequacy. The Group's risk preferences define the Board's appetite towards taking different types of risks which the Group may be exposed to in pursuit of its strategic objectives. Risks are categorised as those the Group actively seeks, those the Group accepts and those the Group seeks to limit or minimise. The Group aims to minimise its exposure to risks such as interest rate risk and inflation risk, which are expected to carry little reward for the Group over the long-term.

Notes to the financial statements (continued)

for the year ended 31 December 2025

The Group uses derivatives for the purpose of efficient portfolio management or to reduce risk in aspects of the Group's investment activities such as the implementation of tactical asset allocation changes around the strategic benchmark, the hedging of cash flows and the control of the risk profile of an identified strategy. The Group uses cross-currency swaps, forward exchange contracts and futures for these purposes. It also uses interest and inflation rate swaps for the purpose of matching assets and liabilities.

(a) Market risk

Market risk is the risk of changes in values of assets and liabilities caused by market movements which could lead to financial losses, or negative impacts to policyholders, long-term strategic growth and regulatory scrutiny.

The Group is exposed to market movements from a range of sources including:

- Interest rate risk arises from the mismatch between assets and liabilities which are discounted at the risk-free rate. Interest rate swaps are entered into to improve the matching of asset and liability cash flows and to ensure that risk driver sensitivities are aligned across the maturity spectrum.
- Inflation risk arises from the index-linked nature of the liabilities. Inflation swaps are entered into to improve the matching of asset and liability cash flows and to ensure that risk driver sensitivities are aligned across the maturity spectrum. Bilateral assets and bonds are also used to improve inflation matching where contractual features of the assets include inflation linkages. The quality of the interest rate and inflation matching strategies is carefully monitored by management, and is operated within tightly defined limits.
- Currency risk arises from the mismatch between the currencies of assets and liabilities. Currency forwards and swaps are entered into to eliminate the majority of the currency risk on financial assets invested in non-sterling-based debt securities where liabilities are denominated in sterling.
- The Group is exposed to changes in credit spreads on its asset portfolio, principally through its holding of fixed income assets. The use of cash flow matching and the recognition of the Solvency II Matching Adjustment partially mitigates this risk. Credit spread risk is an integral part of the Group's business model, and under IFRS this is further reflected in the Liquidity Premium, which adjusts discount rates to capture the illiquidity characteristics of the Group's long-term insurance liabilities.
- Asset liquidity risk may arise if PIC does not effectively manage its liquidity risk, such as maintaining an adequate pool of liquid or collateral-eligible assets. Nevertheless, asset liquidity risk is chiefly related to investment choices, specifically whether PIC is comfortable investing in assets considering their liquidity characteristics. This involves assessing the potential difficulty in disposing of an asset—either at a reasonable price or within an acceptable timeframe—should certain events, like a downgrade, occur and make continued ownership undesirable. Fundamentally, this risk concerns the possibility that an asset cannot be sold or monetised at its fair market value due to insufficient market depth or a lack of active buyers.
- The Group accepts property risks directly through investment in equity release mortgages and real estate assets (including Build-to-Rent). Significant due diligence is undertaken for property construction projects, including an assessment of third parties (e.g. construction contractors). Property risk inherent in equity release mortgages is mitigated through underwriting criteria, maximum loan to value ratios, and legal requirements such as for properties to be insured. Short-term investment property risk is mitigated by entering into long-term lease arrangements. The Group performs regular reviews of both the movement in the property market specific to these properties and the financial status of the tenants. In addition, the Group has indirect exposure to the property market within the corporate bond portfolio, for example through investments in social housing and student accommodation. The credit rating (and therefore value) of these bonds may be impacted by property risk events.
- Further asset exposures include investments in hedge funds, insurance-linked funds and public finance initiative-related debt, including social housing. Where appropriate, the management of these alternative exposures is delegated to specialist fund managers, in line with defined investment management mandates. In all cases, the Group ensures regular oversight of the investment management activities, and maintains detailed risk models for all investment types, incorporating analysis of alternative investments in its risk and capital assessment.

Notes to the financial statements (continued)

for the year ended 31 December 2025

The Group manages market risk through an asset liability management (“ALM”) framework that has been developed to closely match the investment portfolio’s duration and income to its obligations under insurance contracts. The Group’s hedging strategy is set by the Board and a Management Committee meets weekly to oversee and manage interest rate, inflation and foreign exchange risks in line with the hedging strategy and within clearly defined limits.

Capital is held to further protect the Group against crystallisation of market risks. Stress testing of the solvency position is conducted to ensure a suitable solvency buffer is maintained.

Sensitivity analysis

The following table provides information on the sensitivity of the Group’s profit and equity to market movements:

31 December 2025 £m	Interest rates +100 bps	Interest rates -100 bps	Inflation rates +50 bps	Inflation rates -50 bps	Credit spreads +100 bps	House price index increase 10%	Exchange rate
Change in financial investments	(4,534)	5,383	1,812	(1,670)	(2,136)	8	21
Net change in insurance contracts	4,000	(4,791)	(1,683)	1,625	2,186	(6)	(29)
Net change in CSM	—	—	—	—	—	—	—
Pre-tax change in profit	(534)	592	129	(45)	50	2	(8)
Post-tax change in profit and equity	(400)	444	97	(34)	38	2	(6)

31 December 2024 £m	Interest rates +100 bps	Interest rates -100 bps	Inflation rates +50 bps	Inflation rates -50 bps	Credit spreads +100 bps	House price index increase 10%	Exchange rate
Change in financial investments	(3,981)	4,679	1,651	(1,530)	(2,262)	7	28
Net change in insurance contracts	3,648	(4,354)	(1,490)	1,470	2,351	(6)	(30)
Net change in CSM	—	—	—	—	—	—	—
Pre-tax change in profit	(333)	325	161	(60)	89	1	(2)
Post-tax change in profit and equity	(250)	244	120	(44)	67	1	(2)

The movement in the sensitivities compared to the prior year reflects the different asset and insurance portfolios as at 31 December 2025 compared to 31 December 2024, as well as the level of interest rates and other economic conditions.

The Group hedges the Solvency II position rather than the IFRS result, so the positioning of the hedging portfolio at a given point in time can lead to consequential volatility in the IFRS result. In particular, the interest rate and inflation sensitivities are the net result of significant and broadly offsetting movements in liabilities, assets backing liabilities and surplus assets. Changes made to the overall hedging in place during the year have influenced the interest rate and inflation sensitivities. The inflation sensitivity is also affected by the level of inflation curves. The market conditions used to derive the CSM are locked at policy inception, so the CSM is not impacted under the economic sensitivities.

The sensitivities to credit spreads and the house price index as at 31 December 2025 are broadly symmetric to the equivalent decrease in credit spreads and the house price index. The exchange rate sensitivity is based on a weakening of the US dollar and Euro against sterling by 1%. The impact on assets and liabilities is broadly linear to further weakening of exchange rates.

Notes to the financial statements (continued)

for the year ended 31 December 2025

The key assumptions, methodology and limitations of the sensitivity analysis are as follows:

- The effects of the specified changes in factors are determined based on the year end financial instrument values. The level of movements in market factors on which the sensitivity analyses are based is determined based on economic forecasts and historical experience of variations in these factors. The sensitivity analysis is based on the risks to which the Group is exposed at the end of the reporting period, and reflects the changes in relevant risk variables that are reasonably possible at this date and over the next reporting period. The sensitivities used are based around the core assumptions in the financial statements rather than considering more extreme scenarios.
- Each entry in the sensitivity table demonstrates the effect of a change in a single key assumption while other assumptions remain unchanged. However, the occurrence of a change in a single market factor will often lead to changes in other market factors. In particular, the Group's use of derivatives is designed to ensure that its exposure to interest rate and inflation risks is carefully managed.

(b) Credit and counterparty risk

Credit downgrade and default risk, classified internally as credit risk, is the risk of changes in the value of credit risk sensitive instruments due to movements in mark-to-market value, downgrades or defaults. Counterparty downgrade and default risk, classified internally as counterparty risk, is the risk associated with loss caused by downgrade or default of counterparties (including derivative and reinsurance counterparties and other counterparty risk exposures).

Credit risk exposure

The Group is primarily exposed to credit risk through its investment in debt securities. A significant proportion of the asset portfolio is comprised of corporate and government bonds and private debt held to back annuity liabilities.

Credit risk management and mitigation

The Group manages exposure to credit risk by maintaining a comprehensive due diligence and governance process for assessing and selecting appropriate credit risks to acquire. To manage the credit risk the Group maintains, the credit portfolio and exposure to counterparties are monitored on a regular basis, and capital is held to further protect against crystallisation of credit risk.

Counterparty risk exposure

Counterparty risk arises in respect of derivative contracts and reinsurance arrangements to the extent that there is the potential for the counterparties to default on their obligations.

Counterparty risk management and mitigation

Counterparty risk is controlled through establishment of collateral agreements and master netting agreements on interest rate and currency swaps. Minimum credit quality requirements are applied when selecting derivative and reinsurance partners to transact with and exposure limits are determined based on credit ratings and projected exposure to losses on default. Some reinsurance contracts will also have collateral arrangements to manage risk.

Credit and counterparty risk concentration

The Group manages credit and counterparty concentration risk by placing concentration limits for various characteristics (e.g. sectors, credit rating, geographical) and on exposures to individual counterparties. Capital is held to protect against the additional potential impact of concentrations within the portfolio in an adverse credit scenario.

Notes to the financial statements (continued)

for the year ended 31 December 2025

The table below sets out the credit risk exposure and ratings of financial assets which are susceptible to credit risk. The ratings used have been sourced from S&P, Moody's or Fitch, or have been assigned internally where the ratings from these agencies were not available. The remaining unrated assets are not classified by S&P, Moody's, Fitch or internally.

Financial assets by credit rating

31 December 2025	AAA £m	AA £m	A £m	BBB ³ £m	BB or below £m	Unrated £m	Total £m
Financial investments – at FVTPL							
Debt securities ¹							
– Government bonds	566	19,321	3,479	785	—	—	24,151
– Corporate bonds	1,085	1,988	4,788	5,663	3	—	13,527
– Private investments	98	3,290	3,675	3,467	151	6	10,687
Mortgage-backed securities and Asset-backed securities ²	24	13	176	46	—	—	259
Equity release mortgages	—	—	—	—	—	1,049	1,049
Participation in investment schemes	—	—	—	—	—	2,976	2,976
Participation in liquidity funds	2,144	—	—	—	—	—	2,144
Total financial investments	3,917	24,612	12,118	9,961	154	4,031	54,793
Other financial assets – at FVTPL							
Derivative and other financial assets	—	—	—	—	—	29,395	29,395
Other financial assets – at amortised cost							
Receivables	—	—	—	—	—	129	129
Cash and cash equivalents	—	371	273	—	—	8	652
Total other financial assets	—	371	273	—	—	29,532	30,176

1. Within Debt securities, there are £98 million AAA rated, £1,829 million AA rated, £2,035 million A rated, £1,419 million BBB rated and £84 million BB or below rated securities, which have been rated using internally assessed credit ratings.

2. Within mortgage-backed securities and asset-backed securities, there are £4 million A rated and £4 million BBB rated securities, which have been rated using internally assessed credit ratings.

3. Within the BBB rated Financial investments, there are £1,038 million of BBB- rated assets.

31 December 2024	AAA £m	AA (Restated ⁵) £m	A (Restated ⁵) £m	BBB ⁴ (Restated ⁵) £m	BB or below £m	Unrated £m	Total £m
Financial investments – at FVTPL							
Debt securities ¹							
– Government bonds	221	17,135	1,593	882	—	—	19,831
– Corporate bonds	766	1,042	7,366	6,198	9	—	15,381
– Private investments	120	2,853	3,306	2,935	168	—	9,382
Mortgage-backed securities and Asset-backed securities ²	20	16	184	17	—	—	237
Equity release mortgages	—	—	—	—	—	1,043	1,043
Participation in investment schemes ³	—	—	—	—	166	2,914	3,080
Participation in liquidity funds	1,978	—	—	—	—	—	1,978
Total financial investments	3,105	21,046	12,449	10,032	343	3,957	50,932
Other financial assets – at FVTPL							
Derivative and other financial assets	—	—	—	—	—	28,869	28,869
Other financial assets – at amortised cost							
Receivables	—	—	—	—	—	36	36
Cash and cash equivalents	—	298	311	—	—	22	631
Total other financial assets	—	298	311	—	—	28,927	29,536

1. Within Debt securities, there are £120 million AAA rated, £1,363 million AA rated, £1,755 million A rated, £1,235 million BBB rated and £83 million BB or below rated securities, which have been rated using internally assessed credit ratings. Following a consistency review of internal versus external rating classifications, it was established that some externally rated financial investments were incorrectly classified as internally rated. This has not impacted the amounts presented in the table above. Figures in the footnote have been reclassified accordingly.

2. All mortgage-backed securities and asset-backed securities have been rated using externally assessed credit ratings. Note this has been reclassified following a consistency review of internal versus external rating classifications. This has not impacted the amounts presented in the table above.

3. Within Participation in investment schemes, there are £166 million BB or below rated schemes, which have been rated using internally assessed credit ratings.

4. Within the BBB rated Financial investments, there are £1,225 million of BBB- rated assets.

5. Following a review of cash and cash equivalents rating classifications, £251 million has been reclassified from BBB into AA (£31 million) and A (£220 million) in the table above.

Notes to the financial statements (continued)

for the year ended 31 December 2025

Although the derivative and repurchase agreement asset instruments themselves are unrated, the ultimate issuing party for most derivative and repurchase agreement assets has a credit rating. Additionally, the balances are collateralised with highly rated instruments, so as to mitigate any credit or counterparty risk. Applying the issuer rating to the assets held at 31 December 2025 produces the following split:

31 December 2025	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Derivative assets	—	7,089	20,205	—	—	727	28,021
Repurchase agreements	—	250	1,095	—	—	—	1,345
Cash collateral pledged	—	—	29	—	—	—	29

31 December 2024	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Derivative assets	—	7,089	20,073	—	—	695	27,857
Repurchase agreements	—	250	603	—	—	—	853
Cash collateral pledged	—	—	159	—	—	—	159

These assets are included with regular stress testing undertaken by the Group which assesses the impact of a number of scenarios on the Group's solvency position.

Reinsurance counterparties

The Group has reinsurance contracts in place with 14 external reinsurers (2024: 14 external reinsurers) with an exposure of £1,861 million at 31 December 2025 (2024: £411 million). Measures are in place with respect to the reinsurance contracts to manage counterparty exposure, including collateral arrangements and other protections. At 31 December 2025, the fair value of securities accepted as collateral that the Group is permitted to sell or repledge in the event of default was £3,935 million (2024: £2,168 million). The credit rating of each reinsurer is reported to management on a monthly basis. The credit rating of each reinsurer was A+ or higher at 31 December 2025 (A- or higher at 31 December 2024).

Expected credit loss for trade receivables & cash and cash equivalents

Expected credit losses are insignificant and recognised at 31 December 2025 at £nil (2024: £nil).

(c) Liquidity risk

Liquidity risk is the risk that the Group may not have cash or liquid assets available at the right times to be able to pay its obligations in a timely manner, without incurring excessive cost.

Liquidity risk exposure

Liquidity risk may arise if derivative contracts to manage foreign exchange, inflation and interest rates require liquid assets to be posted as collateral at short notice, or a large proportion of deferred policyholders opt to take transfer values.

Liquidity risk management and mitigation

The Group manages the most common sources of liquidity risk as follows:

- Posting collateral: the Group's risk policies define a minimum proportion of assets to be held in cash, gilts and highly liquid corporate bonds, which can be posted as collateral on derivative contracts. This ensures that the Group would be able to meet demands from derivative counterparties under extreme market scenarios.
- Liability payments: Projected cash flows for all new pensioner liabilities taken on are determined as a part of the new business origination process. This is used to identify appropriate assets which provide matching cash flows at an acceptable price. The projected cash flows are updated regularly, and assumptions are updated at least annually, considering factors such as mortality experience and how this affects the required cash flows in the future.
- The Group's risk policies also define a minimum amount of unencumbered cash available to meet pension liability outgoings and business expenses over the following three months.
- Termination of policies: if not managed appropriately, the termination of buy-in policies could create significant liquidity issues for the Group. However, these risks are managed through a specific risk appetite framework that limits the number and size of schemes that are offered these rights, limits the circumstances whereby these rights can be exercised, and pays close attention to relevant contractual terms and indicators to ensure that we are well placed to manage a termination event if required.

Liquidity risk concentration

The Group manages liquidity concentration risk by placing concentration limits on the amount of cash on deposit with individual counterparties, and on the holdings in individual liquidity funds.

Notes to the financial statements (continued)

for the year ended 31 December 2025

Financial instruments

The following table sets out the contractual maturity analysis of financial liabilities. All amounts for non-derivative liabilities are on an undiscounted basis, including interest where applicable, therefore they will not always reconcile to the amounts disclosed in the Statement of financial position. Derivative liabilities relate primarily to inflation rate and interest rate swaps to hedge the Group's solvency position.

31 December 2025	Carrying value £m	Within 1 year £m	In 1–5 years £m	In 5–15 years £m	Over 15 years £m	Total £m
Financial liabilities						
Other payables	18	18	—	—	—	18
Accruals	199	199	—	—	—	199
Borrowings	2,064	151	840	2,000	—	2,991
Derivative liabilities	31,696	272	1,903	8,460	21,061	31,696
Repurchase agreements	312	312	—	—	—	312
Cash collateral received	1,046	1,046	—	—	—	1,046
	35,335	1,998	2,743	10,460	21,061	36,262

Repurchase agreement liabilities are largely matched by repurchase agreement assets with the same counterparty that mature on the same date. See Note 14 for further information.

31 December 2024	Carrying value £m	Within 1 year £m	In 1–5 years £m	In 5–15 years £m	Over 15 years £m	Total £m
Financial liabilities						
Other payables	17	17	—	—	—	17
Accruals	181	181	—	—	—	181
Borrowings	2,062	125	518	2,473	—	3,116
Derivative liabilities	31,641	434	1,998	8,943	20,266	31,641
Repurchase agreements	17	17	—	—	—	17
Cash collateral received	1,104	1,104	—	—	—	1,104
	35,022	1,878	2,516	11,416	20,266	36,076

All amounts due to other payables are expected to be paid in the next financial year.

The amounts disclosed in more than 1 year columns in the above table are expected to be settled more than 12 months after the reporting date.

Insurance and reinsurance contracts

The following table provides an analysis of the Group's insurance and reinsurance contract cash flows by duration on a discounted basis, which reflects the dates on which the cash flows are expected to occur. Cash flows do not include the risk adjustment and contractual service margin.

31 December 2025	Within 1 year £m	In 1–2 years £m	In 2–3 years £m	In 3–4 years £m	In 4–5 years £m	In 5–15 years £m	More than 15 years £m	Total £m
Insurance contract liabilities	2,748	3,198	2,848	2,725	2,597	18,632	11,693	44,441
Reinsurance contract assets	35	2	1	(10)	(30)	(666)	(1,193)	(1,861)

31 December 2024	Within 1 year £m	In 1–2 years £m	In 2–3 years £m	In 3–4 years £m	In 4–5 years £m	In 5–15 years £m	More than 15 years £m	Total £m
Insurance contract liabilities	2,335	2,807	2,502	2,387	2,277	16,332	10,257	38,897
Reinsurance contract assets	60	23	28	23	18	(143)	(420)	(411)

Estimates of the present value of future cash flows

The amounts from insurance contract liabilities that are payable on demand are set out below:

	2025		2024	
	Payable on demand £m	Carrying amount £m	Payable on demand £m	Carrying amount £m
Insurance contracts				
Life risk	11,500	11,409	8,998	8,887

These amounts relate to deferred contracts on which a transfer value can be requested. The amount payable on demand is different to the carrying amount mainly due to different discount rates.

Notes to the financial statements (continued)

for the year ended 31 December 2025

(d) Insurance risk

Insurance risk is implicit in the Group's business and mainly arises from exposure to longevity in respect of annuity payments. Reinsurance is recognised as a key tool in managing this risk to an appropriate level.

Longevity risk is the risk that the Group's policyholders may live for longer than assumed, thus requiring pensions to be paid for a longer period than anticipated, resulting in a higher than expected cost to the Group.

In order to help minimise this risk and also the uncertainty arising through future longevity experience, the Group adopts an active approach to reinsuring these risks where it is economic to do so. This reinsurance can be classified into two broad categories: longevity-only reinsurance and quota share (or "funded") reinsurance, which are discussed below. The Group also chooses to retain a small amount of longevity risk. The approach to setting assumptions for this portion of the book is also described below. Sensitivity analysis is carried out to ensure the remaining exposure to longevity risks is understood, as presented later in this section.

Longevity only reinsurance

This provides longevity cover in respect of certain policyholders. Under these contracts, the Group has committed to pay the reinsurer a fixed line of cash flows for specified sets of liabilities relating to members/former members of particular pension schemes. The reinsurer undertakes to reimburse the actual cost of claims to the Group. Separately, there is also a reinsurance fee for which the Group is liable. Settlement of the contract is on a net basis. These contracts also transfer the contingent longevity risk relating to any eligible dependants of relevant policyholders.

Quota share (or "funded") reinsurance – longevity reinsurance via the transfer of assets

Under such contracts, in return for an initial single premium, the reinsurer agrees to reimburse the actual cost of future claims to the Group in respect of an agreed set of policyholders. These contracts also transfer the contingent risks relating to eligible dependants of relevant policyholders.

The Group monitors the levels of its counterparty risk and actively seeks to reinsure with a wide range of providers to help mitigate its exposure to any one such entity.

Mortality assumptions

One aspect of deriving overall longevity assumptions is to establish the "current" or "initial" rates of mortality. These assumptions are set by applying appropriate mortality factors to each individual member or policyholder. Individual variations are subject to a number of factors including, but not limited to, an individual's gender, age, pension amount, occupation and place of residence.

The other aspect is the allowance for future improvements in mortality. The pattern in which mortality is expected to improve over time, and so increasing the life expectancy of the Group's policyholders, is an important but complex assumption for cash flow and liability calculations. This is regularly reviewed in the light of a number of factors including evolving methodologies for these projections together with views from industry and professional bodies on the factors driving mortality change.

Whilst longevity risk is the fundamental risk relating to its insurance liability portfolio, the Group also considers the following risks:

Risk arising from a specific insurance contract

The Group considers, as part of its risk management process, the risks associated with each new contract accepted and the mitigation of those risks.

Exposure to changes in financial market conditions

The Group prepares information based upon a range of possible market conditions to assess the potential impact on the Statement of financial position and the management actions available to help mitigate these.

Notes to the financial statements (continued)

for the year ended 31 December 2025

Sensitivity analysis

The following table analyses how the fulfilment cash flows, the CSM, profit and equity would respond if changes in underwriting risk exposures that were reasonably possible at the reporting date occur. This analysis presents the sensitivities both before and after risk mitigation by reinsurance and assumes that all other variables remain constant.

31 December 2025 £m	Mortality improvements 0.1%	Base mortality -5% probability of death	Increase in per policy expense assumption of 10%
Change in insurance liabilities fulfilment cash flows	(187)	(688)	(56)
Change in gross CSM	346	1,067	76
Change in reinsurance assets fulfilment cash flows	161	621	(15)
Change in reinsurance CSM	(281)	(926)	17
Pre-tax change in profit	39	74	22
Post tax change in profit and equity	29	56	17

31 December 2024 £m	Mortality improvements 0.1%	Base mortality -5% probability of death	Increase in per policy expense assumption of 10%
Change in insurance liabilities fulfilment cash flows	(169)	(621)	(55)
Change in gross CSM	330	1,000	76
Change in reinsurance assets fulfilment cash flows	135	533	(11)
Change in reinsurance CSM	(266)	(854)	14
Pre-tax change in profit	30	58	24
Post tax change in profit and equity	23	44	18

- The mortality improvements sensitivity is based on a 0.1% increase in all annual mortality improvement rates. This is equivalent to a 0.2 year increase in life expectancy from 22.5 years to 22.7 years for a typical male aged 65.
- The base mortality sensitivity is based on a 5% reduction in base mortality rates. This is equivalent to a 0.4 year increase in life expectancy from 22.5 years to 22.9 years for a typical male aged 65.
- The per policy expense sensitivity is based on an increase in annual maintenance expenses (including third-party administration costs) of 10%.

Profit and equity increase for all the sensitivities shown, despite losses from changes in fulfilment cash flows net of reinsurance. This is due to profits from changes in the CSM, net of reinsurance, more than offsetting the losses from fulfilment cash flows. This is a result of the locked discount rates at initial recognition used to measure changes in the CSM generally being lower than the current rates used to measure the changes in the fulfilment cash flows as at 31 December 2025 and 31 December 2024. The differences between locked and current rates are mainly due to movements in interest rates between initial recognition dates and the reporting dates.

The sensitivities are broadly symmetric to the equivalent opposite change in the variable shown.

(e) Operational risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Group's internal control processes are supported by multi-level governance activities, the maintenance of a central risk register, the ORSA process, scenario and stress testing, and independent Internal Audit review of the Operational Risk Framework and its activities.

All material operational risk types are actively managed through a defined control framework and includes first line owned activities and actions overseen and challenged by the second line.

Third party and outsourcing risk

The Group has significant outsourcing arrangements in respect of pension administration and other functions. These arrangements are subject to agreements with formal service levels, operate within agreed authority limits and are subject to regular review by senior management. There is a formal Third Party and Outsourcing Framework which contains clear requirements with regard to the onboarding, relationship management and off-boarding of third parties, supported by a specialised third-party management system.

Notes to the financial statements (continued)

for the year ended 31 December 2025

Model risk

Given the Group's business model, there is considerable use of financial models and associated output throughout a range of actuarial and financial reporting processes which expose the business to risk through inappropriate use or poor design. From an operational risk perspective, extensive controls exist to mitigate risks related to model design, integration, operation and change management. This is supported by a specific Model Risk Framework and associated Board-approved policies which provide direction and guidance in this respect. Model risk is overseen by a specialist team within the wider Risk function.

Information security risk

Information security risk is the risk of electronic information security breaches or loss of digital assets. This includes losses arising from internal employees acting carelessly or maliciously with electronic forms of data as well as external threat actors ("attackers") who may target the Group's electronic information and digital assets. Control gaps create risks that attackers can exploit to harm the Group's information and data assets. The Group, or any of its critical third parties, could be subject to a cyber attack by a threat actor using advanced tools, methods, and access paths to harm or disable the Group's systems, network, and sensitive/critical data. A cyber incident could lead to significant loss or corruption of critical and/or sensitive information assets with regulatory fines, and reputational damage.

There are a range of technical and process controls, in line with ISO27001, that are employed to help mitigate information security risk including but not limited to:

- antivirus, malware, phishing, end point, server and firewall protection controls;
- security operations centre and security incident and event management;
- vulnerability scanning and patching;
- ongoing third-party penetration tests;
- backup and restoration processes supported with offsite data centres and tape retention;
- network segmentation;
- incident management team, Business Continuity and Disaster Recovery Procedures; and
- crisis management team with lessons learned and continuous improvement activities.

Business resiliency management risk

Emergency and business continuity plans ("BCP") have also been established to counter adverse occurrences and ensure operational resilience. These plans are tested at regular intervals and the results of these tests are linked closely to the operational risk scenario assessment process. Separate BCP scenarios are also identified and assessed as part of the overall BCP process and drive management actions where identified. Through the Operational Resilience Self-Assessment process, PIC ensures the Board remains highly aware of its Operational Resilience Framework, Important Business Services, and the associated scenario testing programme.

There is an annual operational risk scenario review process in place to examine potential risk impacts caused by both internal and external events. Various scenarios are assessed by appropriate first line subject matter experts, based upon the Operational Risk taxonomy and challenged by the Risk team. Management mitigation actions that are identified as part of this activity are approved through the risk governance process.

(f) Conduct risk

The Group is primarily exposed to conduct risk through its interactions with, and obligations to, its retail customers. Given the demographic of the policyholder base, many policyholders are likely to exhibit characteristics of vulnerability. This requires the Group to support their additional needs where possible such as offering alternative contact channels and methods of communication. Conduct risk is mitigated through extensive controls such as staff training, policies and procedures, quality assurance and contractual service level agreements.

(g) Franchise value risk

Franchise value risk is the risk that the Group fails to meet its long-term value growth objectives which could lead to reputational damage, financial loss or deterioration of the franchise value. It encompasses political risk, reputation risk, financial targets risk, funding risk and sustainability risk.

Political risk

Political risk is the risk of political changes which could impact the markets in which the Group operates. The Group manages political risk by proactive engagement with the UK government and press to influence policy direction. The Group also engages external specialists to gain insight into UK government policy.

Notes to the financial statements (continued)

for the year ended 31 December 2025

Reputation risk

Reputation risk is the risk that the Group as a company, its employees or third parties working on its behalf, act in a way that causes negative publicity or perception leading to key stakeholders not wishing to transact business with the Group. Failure to appropriately manage reputational risk could lead to an inability to meet our strategic objectives, and in turn lead to financial loss/capital impact and destruction of franchise value (including brand value). There are various mitigants against reputational damage such as a strict regulatory regime, strong customer satisfaction and the Group's engagement with external experts on public relations.

Financial targets and funding risk

Financial targets risk is the risk associated with writing new business, sourcing assets or obtaining reinsurance in a timely fashion at an acceptable price, or that there is insufficient liquidity in the markets in which the Group wishes to trade, impacting the Group's ability to meet financial targets. Funding risk is the risk that the Group is unable to source appropriate levels of funding in a timely and cost-effective manner to deliver the Group's strategic objectives as debt repayments are due. These risks are managed as part of the annual business planning process.

Sustainability risk

Sustainability risk is the risk that PIC does not act with responsible business practices which are not aligned to regulatory or stakeholder expectations resulting in financial or reputational loss.

Within this area, climate change risk is key. Climate change risk is defined as the potential for adverse consequences arising from the impacts of climate change, including physical risks arising from climate driven events, and transitional risks arising from the process of adjustment to a low-carbon economy.

Climate change has the potential to drive increases in risk across the Group's risk profile. For example, physical climate change risk could drive:

- Increased credit risk due to disruption to operations and/or supply chains of corporate counterparties;
- Increased market risk due to direct damage to real estate investments resulting in loss of value or reduced attractiveness, or high cost or lack of availability of insurance for investments as a result of increasing likelihood and severity of physical climate risk events; and
- Increased liquidity risk if acute physical climate risk events lead to a reduction in the Group's ability to liquidate real estate or other assets, should the Group desire to exit such holdings.

Further, climate transition risk could drive:

- Increased credit risk due to changes in consumer demand or technological advancements leading to assets becoming stranded, or changes in regulation leading to certain sectors or business becoming less profitable or creditworthy than expected;
- Increased market risk due to increased building regulations and standards leading to a need for additional investment in existing real estate assets;
- Increased liquidity risk if assets become stranded as a result of a transition to a low-carbon economy;
- Increased reputational risk arising from failure to enact or evidence long-term climate actions, leading to increased cost of capital and/or reduced new business volumes; and
- Increased regulatory risk due to failure to comply with a fast-moving regulatory environment.

The Group is continually assessing how its business may be impacted by climate change risk. Importantly, the Group has developed the risk management approach to identify, manage and report climate-related risks to the Board Risk Committee, and ultimately the Board. For systems and processes, the Group includes adaptation or operational disruption caused by physical and transition risk associated with climate change in risk analysis and has actively started engaging with external providers. For the assets it invests in, the Group accepts that some transition risk is inherent in doing business and aims to minimise the physical risk in the portfolio. The Group has performed sensitivity analysis to further understand the impacts that physical and transitional climate change risk could have on the balance sheet, including both high physical risk and high transition risk scenarios.

The Group also calculates a number of metrics to monitor its exposure to climate-related risk, including the Weighted Average Carbon Intensity and the carbon footprint of the investment portfolio.

Notes to the financial statements (continued)

for the year ended 31 December 2025

The Group produces a Climate Report (TCFD), which outlines the approach to managing risks arising from climate change across four key areas: strategy, metrics and targets, risk management and governance, in line with the recommendations of the Task Force on Climate-related Financial Disclosures. Key actions to manage climate change risk include:

- The Group has met its target to reduce the Weighted Average Carbon Intensity of its public corporate credit portfolio by 25% by the end of 2025, and has set targets to reduce the total portfolio Weighted Average Carbon Intensity by 50% by 2030, and to reach net zero across the business by 2050;
- Implementation of a comprehensive responsible investment strategy, taking account of climate change risk in the Group's investment process;
- Engagement with asset managers and investment counterparties to understand their approach to managing climate change risk and suggest improvements where appropriate; and
- Exclusion policies and concentration limits on sectors that the Group considers to have significant transition risk exposure.

As the Group's assets are generally valued based on market sourced prices or by qualified external valuers, the valuations reflect current market sentiment in respect of climate risk. For internally valued assets, such as private loans, climate risk is considered when assessing the credit rating of the asset.

19. Related party transactions

Transactions with Directors and key management personnel

Key management personnel comprise Directors of the Company and members of the Executive Committee.

	2025 £m	2024 £m
Short-term employee benefits	11	11
Share-based payments	8	5
Total	19	16

During the year, key management personnel and their families sold shares to the EBT for fair value consideration of £1 million (2024: £5 million).

The Group had no other transactions with Directors and key management personnel during the period.

Capital transactions

During the year, the Group invested £55 million into joint ventures (2024: £25 million). As at 31 December 2025, the carrying value of the investment in joint ventures was £71 million (2024: £29 million); please refer to Note 3 of the Group's Company financial statements for further details on investments in joint ventures.

Other related party transactions

The Group holds 1.48% senior notes in Capital Investors Europe PBI Limited, a company within the CVC Group, which is a significant shareholder of PICG. At 31 December 2025, the par value of the Group's holding was €75 million, down from €150 million at 31 December 2024, following a partial disposal during the year. Investment income during the year amounted to £1 million (2024: £2 million) and the carrying value of the investment at 31 December 2025 was £59 million (2024: £109 million).

The Group holds investments in funds managed by HPS, which is a member of a group that is a significant shareholder of PICG. During the year, the Group made net capital contributions of £9 million (2024: £33 million net capital distribution) and investment income amounted to £18 million (2024: £17 million). As at 31 December 2025, the carrying value of the investments was £173 million (2024: £165 million).

On 1 July 2025, HPS was acquired by BlackRock Inc. and as a result, BlackRock is now considered a related party to the Group. The Group has entered into a contractual arrangement with BlackRock for an initial term of five years in relation to its Investment Platform Programme ("IPP"). The agreement commits the Group to continue utilising the services for the duration of the term, however the fees payable under this arrangement are variable and depend on future activity levels. Since the date of acquisition, the Group incurred costs of £2 million to BlackRock in relation to services rendered as part of the Group's IPP.

Notes to the financial statements (continued)

for the year ended 31 December 2025

20. Share capital

The authorised, issued and fully paid share capital of the Group is as follows:

	2025		2024	
	Number of shares	£m	Number of shares	£m
Ordinary shares				
Authorised, issued and fully paid				
At beginning of year	1,334,205,407	2	1,334,205,407	2
Shares at the end of the year	1,334,205,407	2	1,334,205,407	2

21. Restricted Tier 1 notes

In 2019, PIC issued £450 million of Restricted Tier 1 ("RT1") notes. The notes have been classified as equity as the notes did not impose any obligation on PIC to deliver cash or other financial assets to the holders of the notes because:

- the notes are perpetual, with no fixed redemption or maturity date;
- interest is payable and cancellable at the sole discretion of PIC; and
- interest is non-cumulative.

The interest payments arising are recognised in equity upon payment.

	2025 £m	2024 £m
Restricted Tier 1 notes	444	444

On 25 July 2019, PIC issued £450 million of RT1 debt capital loan notes with a fixed coupon of 7.375% paid semi-annually in arrears. In 2025, the total coupon paid was £33 million (2024: £33 million).

Notes to the financial statements (continued)

for the year ended 31 December 2025

22. Reserves

Group

	Share premium £m	Treasury shares £m	Share-based payment reserve £m	Merger reserve £m	Capital reduction reserve £m	Retained profit £m
31 December 2025						
At beginning of year	873	(38)	22	34	1,055	1,920
Total comprehensive income	—	—	—	—	—	256
RT1 coupon	—	—	—	—	—	(33)
Exercise of share-based payment schemes	—	8	(8)	—	—	—
Dividend	—	—	—	—	—	(517)
Share-based payment charge	—	—	14	—	—	—
Share purchases and share scheme settlements	—	(5)	—	—	—	1
At end of year	873	(35)	28	34	1,055	1,627

	Share premium £m	Treasury shares £m	Share-based payment reserve £m	Merger reserve £m	Capital reduction reserve £m	Retained profit £m
31 December 2024						
At beginning of year	873	(31)	21	34	1,055	2,070
Total comprehensive income	—	—	—	—	—	284
RT1 coupon	—	—	—	—	—	(33)
Exercise of share-based payment schemes	—	8	(8)	—	—	—
Dividend	—	—	—	—	—	(398)
Share-based payment charge	—	—	9	—	—	—
Share purchases and share scheme settlements	—	(15)	—	—	—	(3)
At end of year	873	(38)	22	34	1,055	1,920

Treasury shares relate to the shares purchased by the EBT for the purpose of subsequently settling share-based payment awards.

A capital reduction reserve was established on 21 October 2016, when the Company reduced the nominal value of its ordinary shares from £1 to £0.00161678179673884 in accordance with the relevant Special Resolution.

The Group carried out a Group reorganisation in December 2015, which led to a recognition of a merger reserve of £34 million in respect of the amount by which the book value of the Pension Corporation Group Limited ("PCG") exceeded the nominal value of shares issued by PICG to acquire PCG.

A share-based payment reserve is recognised in respect of the equity settled share-based payment awards in accordance with the accounting policy in Note 7. The relevant disclosures in respect of the share-based payment schemes are provided in Note 7.

Notes to the financial statements (continued)

for the year ended 31 December 2025

23. Capital resources

The Board's policy is to maintain a strong capital base to protect policyholders' and creditors' interests and ensure compliance with the relevant financial services regulations, whilst creating shareholder value. The Group's capital resources comprise equity and debt capital. Details of the Group's equity capital resources are provided in Notes 20 to 22. Details of the Group's debt capital resources are provided in Note 17.

The Group's main subsidiary, PIC, is required to measure and manage its capital in accordance with the requirements of Solvency II. There are certain valuation differences between the IFRS Statement of financial position and the Solvency II Statement of financial position, for example, differences between IFRS insurance liabilities and Solvency II technical provisions. Also, under Solvency II, PIC treats the subordinated debt (referred to in Note 17) as regulatory capital. PIC has complied with the capital requirements under Solvency II throughout the year.

PIC currently has sufficient capital resources available to meet all its present capital requirements.

At 31 December 2025, the Group's solvency ratio was 257% (2024: 237%) and it had surplus funds of £4,850 million (2024: £4,700 million) in excess of its solvency capital requirement ("SCR").

	2025 £m	2024 £m
Total IFRS equity as at 31 December	4,028	4,312
Liability valuation differences and other adjustments ¹	2,364	2,109
Total Tier 1	6,392	6,421
Tier 2 debt valuation ²	1,955	1,905
Available Own Funds	8,347	8,326
Tier 2 restrictions to meet SCR ^{2,3}	(412)	(184)
Eligible Own Funds²	7,935	8,142
SCR ²	(3,085)	(3,442)
Solvency surplus²	4,850	4,700
Solvency ratio²	257%	237%

1. Includes insurance and reinsurance contractual service margin £3,968 million (audited) and risk adjustment £229 million (audited), in addition to other valuation differences and adjustments £(1,833) million (unaudited).

2. These balances are unaudited.

3. Tier 2 is restricted to a maximum of 50% of the SCR.

PIC's objectives in managing its capital are:

- to maintain Solvency II capital in excess of the SCR;
- to match the profile of its assets and liabilities closely, taking account of the risks inherent in the business;
- to maintain financial strength sufficient to support new business growth in line with PIC's business plan;
- to satisfy the contractual entitlements of its policyholders and the requirements of its regulators;
- to ensure financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- to allocate capital efficiently to support growth; and
- to manage exposure to changes in interest and inflation rates by way of a comprehensive hedging programme and to manage exposure to movements in exchange rates.

Under Solvency II, PIC uses an Internal Model to set its statutory SCR. This evaluates market risk, insurance risk, operational risk, expense risk and counterparty risk. In addition, PIC produces an ORSA report annually, which is used to identify all the risks faced by PIC including those not captured within the Internal Model and the report is a summary of all appropriate risk management activities used to identify the forward-looking risks PIC faces over the business planning horizon.

PIC manages its business according to the risk strategy, appetite and tolerances set out in its risk policies. In accordance with this, PIC defines risk appetite limits for solvency and a target level of capital that it wishes to maintain, which PIC regularly monitors and reports. Capital volatility is managed through risk management techniques, including the use of inflation rate, interest rate and currency hedging instruments to reduce exposure to potential adverse market movements. PIC is also able to manage its capital position through the level of new business it writes and its broader investment and reinsurance strategies.

PIC focuses on hedging its Solvency II Statement of financial position through hedging its technical provisions and SCR to manage key exposures such as interest rates risk and inflation risk. PIC aims to remove all foreign exchange risk through cross-currency hedging. Longevity risk is managed through reinsurance, where 89% of exposure has been transferred as at 31 December 2025, based on best estimate liabilities (2024: 82%).

Notes to the financial statements (continued)

for the year ended 31 December 2025

24. Financial commitments and contingencies

Other commitments

During the year, the Group executed transactions to purchase partly-funded private investments. A breakdown of future commitments by year is provided below.

	2025 £m	2024 £m
Within 1 year	75	137
In 1–5 years	419	182
In 5–15 years	—	—
Over 15 years	—	—
	494	319

At 31 December 2025, the Group's maximum commitment under contractual obligations to construct investment property is £36 million (2024: £123 million). The obligations cover a period of up to a year.

At 31 December 2025, the Group's maximum commitment under joint venture agreements is £97 million (2024: £141 million).

25. Events after the reporting period

On 3 July 2025, Athora Holding Ltd ("Athora") entered into an agreement to acquire PICG. Regulatory approval has been received at the beginning of March 2026 for the transaction which is expected to complete on or around 27 March 2026. Upon completion, Athora will acquire 100 per cent of the ordinary share capital of PICG.

Completion of the acquisition will result in the vesting of share schemes, subject to any relevant performance conditions and Solvency II related deferral provisions and the disposal of any remaining treasury shares held. The financial effect arising from the vesting of share schemes is expected to be immaterial.

Company financial statements

Statement of financial position for the Company as at 31 December 2025

	Note	2025 £m	2024 £m
Assets			
Investments in subsidiaries	2	1,952	1,952
Receivables and other financial assets	4	34	21
Cash and cash equivalents	4	8	7
Total Assets		1,994	1,980
Equity			
Share capital		2	2
Share premium		873	873
Treasury shares and share-based payment reserve		(7)	(16)
Other reserves		1,089	1,089
Retained profit		19	15
Total Equity		1,976	1,963
Liabilities			
Other payables	4	17	17
Accruals	4	1	—
Total Liabilities		18	17
Total Equity and Liabilities		1,994	1,980



The accounting policies and notes on **pages 206 - 208** form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 17 March 2026 and were signed on its behalf by:

Dominic Veney

Director

Registered number: 09740110

Company financial statements

Statement of changes in equity for the Company for the year ended 31 December 2025

	Share capital £m	Share premium £m	Treasury shares and share-based payment reserve £m	Other reserves £m	Retained profit £m	Total Equity £m
31 December 2025						
At beginning of year	2	873	(16)	1,089	15	1,963
<i>Total comprehensive income</i>						
Profit for the year	—	—	—	—	520	520
<i>Transactions with owners</i>						
Dividend	—	—	—	—	(517)	(517)
Share-based payment charge	—	—	14	—	—	14
Share purchases and share scheme settlements	—	—	(5)	—	1	(4)
At end of year	2	873	(7)	1,089	19	1,976

	Share capital £m	Share premium £m	Treasury shares and share-based payment reserve £m	Other reserves £m	Retained profit £m	Total Equity £m
31 December 2024						
At beginning of year	2	873	(10)	1,089	16	1,970
<i>Total comprehensive income</i>						
Profit for the year	—	—	—	—	400	400
<i>Transactions with owners</i>						
Dividend	—	—	—	—	(398)	(398)
Share-based payment charge	—	—	9	—	—	9
Share purchases and share scheme settlements	—	—	(15)	—	(3)	(18)
At end of year	2	873	(16)	1,089	15	1,963



The accounting policies and notes on **pages 206 - 208** form an integral part of these financial statements.

Company financial statements

Company statement of cash flows as at 31 December 2025

	2025 £m	2024 £m
Cash flows from operating activities		
Profit for the year	520	400
Adjustments for:		
Dividends received from Group companies	(520)	(400)
Equity settled share-based payments	14	9
	(506)	(391)
Changes in operating assets and liabilities		
(Increase)/decrease in receivables and other financial assets	(13)	10
Increase in other payables	—	1
Increase in accruals	1	—
	(12)	11
Cash inflow from operating activities	2	20
Investing activities		
Dividend received	520	400
Cash inflow from investing activities	520	400
Financing activities		
Purchase of treasury shares	(5)	(15)
Share scheme settlements	1	(3)
Dividend paid	(517)	(398)
Cash outflow from financing activities	(521)	(416)
Net increase in cash and cash equivalents	1	4
Cash and cash equivalents at beginning of year	7	3
Cash and cash equivalents at end of year	8	7



The accounting policies and notes on **pages 206 - 208** form an integral part of these financial statements.

Company financial statements

Notes to the financial statements of the Company for the year ended 31 December 2025

1. Accounting policies

The Company's financial statements have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The Company's accounting policies are aligned with those of the Group, as set out in the relevant notes to the Group's financial statements, with the only exception to this being Investments in subsidiaries, which are not relevant at Group level.

Investments in subsidiaries are carried at cost less, where appropriate, allowances for impairment in the Company's financial statements. Where indicators of impairment exist, the carrying value of the investment in the subsidiary is compared against its recoverable amount, which is the higher of the fair value less cost to sell or the value in use, with any resulting impairment recorded in the Statement of comprehensive income.

Pension Insurance Corporation Group Employee Benefit Trust ("EBT") is treated as a branch and consolidated in the Company's financial statements. Any shares purchased by the EBT to fund share-based payment awards are accounted for as treasury shares held at cost within the Company and Group shareholders' equity.

There were no other material critical accounting estimates used or judgements made by management in the preparation of these financial statements.

The Company has applied all IFRS and interpretations that are adopted by the UK and are effective for accounting periods beginning on or after 1 January 2025. The following amendments have been issued and endorsed by the UK and have had no significant impact on the Company:

- Amendments to IAS 21 Lack of exchangeability: Requires companies to provide more useful information in their financial statements when a currency cannot be exchanged into another currency. The amendment specifies how to assess whether a currency is exchangeable and how to determine a spot exchange rate if it is not.

Disclosures in relation to the Company's share capital and other reserves are provided in Notes 20 and 22 of the Group's consolidated financial statements. The disclosures required by IFRS 2 "Share-based Payment" are provided in Note 7 of the Group's consolidated financial statements.

2. Investments in subsidiaries

The Company's investments in subsidiary undertakings are as follows:

	2025 £m	2024 £m
Cost		
At the start of the year	1,952	1,952
Additions due to share-based payments ¹	14	9
Recharges of share-based payments to subsidiaries ¹	(14)	(9)
At the end of the year	1,952	1,952
Net book value		
31 December	1,952	1,952

1. The Company made share awards to eligible employees of its subsidiary, Pension Services Corporation Limited ("PSC") and recognises an increase in the cost of investment in subsidiaries. The Company recharges the cost of the share-based payment awards to PSC, resulting in a corresponding decrease in investments in subsidiaries.

Company financial statements

Notes to the financial statements of the Company for the year ended 31 December 2025

Subsidiary undertakings	Registration number	Principal activity	Country of incorporation	% of equity held	Share class
PIC Holdings Limited ¹	05706555	Holding company	England	100%	Ordinary shares
Pension Insurance Corporation plc	05706720	Bulk annuity insurance	England	100%	Ordinary shares
Pension Services Corporation Limited	08019046	Service company	England	100%	Ordinary shares
PIC ERM 1 Limited ²	12977358	Investment activity	England	100%	Ordinary shares
PIC Properties GP Limited ²	12509653	General partner	England	100%	Ordinary shares
PIC Properties Limited Partnership ²	LP020950	Investment holding entity	England	100%	Partnership
PIC New Victoria GP Limited ²	12509797	General partner	England	100%	Ordinary shares
PIC New Victoria Nominee Limited ²	12511364	Nominee company	England	100%	Ordinary shares
PIC New Victoria Unit Trust		Investment activity	Guernsey	100%	Unit trust
PIC New Victoria Limited Partnership ²	LP020999	Investment activity	England	100%	Partnership
PIC Wiltern GP Limited ²	13192301	General partner	England	100%	Ordinary shares
PIC Wiltern Nominee Limited ²	13192295	Nominee company	England	100%	Ordinary shares
PIC Wiltern Unit Trust		Investment activity	Guernsey	100%	Unit trust
PIC Wiltern Limited Partnership ²	LP021730	Investment activity	England	100%	Partnership
PIC Arbour GP Limited ²	13605128	General partner	England	100%	Ordinary shares
PIC Arbour Nominee Limited ²	13605136	Nominee company	England	100%	Ordinary shares
PIC Arbour Unit Trust		Investment activity	Guernsey	100%	Unit trust
PIC Arbour Limited Partnership ²	LP022142	Investment activity	England	100%	Partnership
PIC One Eastside GP Limited ²	14247658	General partner	England	100%	Ordinary shares
PIC One Eastside Nominee Limited ²	14247663	Nominee company	England	100%	Ordinary shares
PIC One Eastside Unit Trust		Investment activity	Guernsey	100%	Unit trust
PIC One Eastside Limited Partnership ²	LP022870	Investment activity	England	100%	Partnership
PIC Real Estate GP Limited ²	14260214	General partner	England	100%	Ordinary shares
PIC Real Estate (First St) Limited Partnership ²	LP022771	Investment activity	England	100%	Partnership
PIC Real Estate (Ruskin Square) LP ²	LP023092	Investment activity	England	100%	Partnership
PIC Real Estate (Cedar) GP Limited ²	14599197	General partner	England	100%	Ordinary shares
PIC Real Estate (Cedar) Nominee Limited ²	14657988	Nominee company	England	100%	Ordinary shares
PIC Real Estate (Cedar) LP ²	LP023076	Investment activity	England	100%	Partnership
PIC AH Holdco LLP	OC447009	Investment holding entity	England	100%	Partnership
PIC AR SQR LLP ²	OC447015	Investment activity	England	100%	Partnership
PIC LSQ Buildco 1 LLP ²	OC447016	Investment activity	England	100%	Partnership
PIC SO SQR LLP ²	OC447017	Investment activity	England	100%	Partnership
Verda Living RP Limited (Formerly PIC RP Limited) ²	15719374	Property rental activity	England	100%	Ordinary shares

1. Denotes investment held directly by the Company at 31 December 2025.

2. Denotes entities that have claimed exemption from audit by virtue of either section 479A of the Companies Act 2006 or section 480 of the Companies Act 2006 (as applied by The Limited Liability Partnerships) or Regulation 7 of the Partnerships (Account) Regulations.

Subsidiaries incorporated in England are registered at 22 Ropemaker Street, London EC2Y 9AR.

Subsidiaries incorporated in Guernsey are registered at Top Floor, Mill Court, La Charroterie, St Peter Port, Guernsey GY1 1EJ.

Company financial statements

Notes to the financial statements of the Company for the year ended 31 December 2025

3. Investments in joint ventures

Investments in joint ventures are held indirectly by subsidiaries of PICG.

Subsidiary undertakings	Principal activity	Country of incorporation	% of equity held	Share class
Senior Living Investment Partners (General Partner) Limited ¹	General partner	England	49%	Ordinary shares
Senior Living Investment Partners Limited Partnership ¹	Investment activity	England	99%	Partnership
Habiko LLP ²	Investment activity	England	33.33%	Partnership

1. Registered at 6th Floor, 33 Holborn, London, United Kingdom EC1N 2HT.
2. Registered at Kent House, 14-17 Market Place, London, United Kingdom, W1W 8AJ.

4. Financial assets and financial liabilities

All of the Company's financial assets and liabilities are valued at amortised cost as detailed below:

	2025 Amortised cost £m	2024 Amortised cost £m
Financial Assets		
Receivables and other financial assets	34	21
Cash and cash equivalents	8	7
Total Financial Assets	42	28
Financial Liabilities		
Other payables	17	17
Accruals	1	—
Total Financial Liabilities	18	17

Included within receivables and other financial assets are amounts totalling £14 million (2024: £14 million) due to be received after more than one year. All amounts relating to other payables are expected to be settled within one year.

5. Related party transactions

(a) Transactions with certain Directors and key management personnel

Share-based payment and Treasury transactions with the key management personnel are detailed in Note 19 of the Group financial statements.

(b) Balances and intercompany transactions with subsidiary companies

During the year, the Company had the following outstanding balances with subsidiary companies:

	Transactions during the year ¹		Balance at 31 December	
	2025 £m	2024 £m	2025 £m	2024 £m
Amounts owed by Group undertakings	13	(11)	13	—
Amounts owed to Group undertakings	2	(4)	(9)	(11)

1. Intercompany transactions during the year relate primarily to transactions with Pension Services Corporation Limited in relation to Employee share awards.

(c) Capital and dividend transactions with subsidiary companies

During the year, the Company had the following capital transactions with subsidiary companies:

	2025 £m	2024 £m
Share-based payment charge recharged to subsidiary undertakings	14	9
Dividend from Group undertakings	520	400

6. Events after the reporting period

On 3 July 2025, Athora Holding Ltd ("Athora") entered into an agreement to acquire PICG. Regulatory approval has been received at the beginning of March 2026 for the transaction which is expected to complete on or around 27 March 2026. Upon completion, PICG will become a wholly owned subsidiary of Athora. Please refer to Note 25 of the Group's financial statements for further details.

Alternative performance measures

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

Of the APMs defined below, AOPBT, EOF and Solvency ratio are also strategic KPIs. Note that KPIs are broader in scope and include non-financial performance measures, such as Financial Strength rating and Policyholder satisfaction.

The key APMs used by the Group are listed below and reconciliations to their closest IFRS measure are included in the Chief Financial Officer's review. The calculation of each APM is consistent with previous periods unless stated otherwise.

Measure	Definition	Rationale	Reconciliation to IFRS results
Adjusted operating profit before tax ("AOPBT")	AOPBT reflects the IFRS result relating to core business activities, alongside certain management choices and decisions around those activities, which include the writing and management of pension insurance contracts and the management of risk through reinsurance. During the year, AOPBT has been redefined to include the impact of investment-related management actions to better reflect the core operating performance of the business.	AOPBT provides a clear view of profitability arising from the Group's core activities while also incorporating management decisions that directly influence the generation of value. This includes the writing and management of pension insurance contracts, as well as investment-related management actions, and therefore includes the economic value created from new business written in the period prior to its deferral and subsequent release through the Contractual Service Margin ("CSM").	A reconciliation is provided in the CFO review section on page 74.
Adjusted equity	Adjusted equity is calculated as total IFRS equity plus CSM (net of reinsurance and tax) less the value of Restricted Tier 1 ("RT1") debt.	Adjusted equity is an important valuation metric which includes the Group CSM (net of reinsurance and tax) representing the Group's future store of profit which is expected to unwind into profit over the life of the contract. The metric provides a more comprehensive and forward-looking representation of the Group's equity, aligning more closely with its long-term value.	A reconciliation to the total IFRS equity is provided in CFO review section on page 73.
Equity own funds ("EOF")	EOF is defined as own funds available to meet the SCR less the notional value of RT1 and Tier 2 debt.	EOF is a shareholder view of the Group's Solvency II own funds after deducting hybrid debt and aligns to the way the business is managed. It is a measure of the long-term value of the Group and is reported extensively in internal and external reporting.	A reconciliation to the IFRS results is provided on page 79.
Solvency ratio	Solvency ratio shows the ratio of eligible capital to required capital, which is defined as our eligible Own Funds as a percentage of Solvency Capital Requirement ("SCR").	The solvency ratio is a regulatory capital measure and represents the number of times the capital required to withstand a 1-in-200 year event is covered by eligible own funds. It is a key metric that demonstrates the Group's financial strength and is calculated using the Group's internal model which reflects the risk profile of the Group and is approved by the Prudential regulation authority.	It is not possible to derive from IFRS results however further details are provided in Note 23 Capital resources of the Group's consolidated financial statements on page 201.
Solvency surplus	Solvency surplus measures the surplus of available capital above required capital, which is defined as Own Funds less Solvency Capital Requirement.	The Group considers this metric to be vital for stakeholders as it demonstrates the Group's ability to maintain a robust solvency position and a strong capital base, while navigating market volatility and regulatory changes, thereby protecting the interests of policyholders and creditors.	It is not possible to reconcile to the IFRS results however further details are provided in Note 23 Capital resources of the Group's consolidated financial statements on page 201.

Glossary

Term	Definition
Adjusted equity	Adjusted equity is an alternative performance measure ("APM") to assess the financial performance and position of the Group. Equals total equity plus contractual service margin ("CSM") net of reinsurance and tax less the value of RT1 debt.
Adjusted operating profit before tax ("AOPBT")	AOPBT reflects the IFRS result relating to core business activities, alongside certain management choices and decisions around those activities. This metric reflects value generated prior to the new business deferral and subsequent in-force release of profit via CSM and excludes economic and other non-operating variances.
Alternative performance measure ("APM")	An alternative metric to statutory financial measures, used to assess financial performance and position of the Group.
Annuity	A type of insurance policy that pays out amounts of benefit to the policyholder for the remainder of an insured individual's lifetime and, in certain cases, that of their spouse and/or dependants. The payments may commence immediately ("immediate annuity") or may be deferred to commence from a future date, such as the date of retirement ("deferred annuity"). Immediate annuities and deferred annuities may be purchased for an individual or on a bulk purchase basis for groups of individuals.
Best estimate liabilities ("BEL")	The BEL represents the value of future liability and expense cash flows. It is based on realistic assumptions with no prudent margins (other than in the default and downgrade assumptions stipulated for the calculation of the Solvency II valuation discount rate) and is calculated using well-established actuarial and statistical methods.
Built environment	Investments in infrastructure such as Build-to-Rent, Long Income, Social Housing, University Accommodation and Senior Living.
Buy-in	An annuity policy bought by trustees that is an asset of the scheme and helps manage their ongoing liabilities. The trustees and scheme remain in place and the administration stays the responsibility of the trustees.
Buyout	Annuities bought in bulk, covering all the scheme's liabilities. The scheme typically winds up and members become PIC policyholders. The Group also takes on responsibility for ongoing administration alongside payment of policyholders' pensions.
Carbon intensity	Defined as the Weighted Average Carbon Intensity ("WACI") (Scope 1 and 2) expressed as emissions per \$ million revenue.
Carbon neutral	A company is considered to be carbon neutral if its operations result in no net release of carbon dioxide into the atmosphere, allowing for the purchase of carbon removal or carbon avoidance credits.
CO₂e	Carbon dioxide equivalent.
Consumer Duty	The FCA's Consumer Duty requires UK insurance firms to act to deliver good outcomes for retail customers, particularly for vulnerable customers. Firms must regularly monitor and demonstrate compliance with these obligations.
Contractual service margin ("CSM")	A component of the IFRS liability for a group of insurance contracts representing the unearned profit that will be recognised as the insurance services are provided. A reinsurance CSM asset or liability is held for contracts in either a net gain or net cost position.
Credit rating	A measure of an individual's, organisation's or country's creditworthiness, including their ability to repay debt.
Deferred Bonus Share Plan ("DBSP")	The DBSP seeks to align the long-term interests of the Group for all senior management and other key individuals through bonus deferral. The deferred element is awarded in the form of nil cost options which vest after three years.
Defined benefit ("DB") pension plan	An employer-sponsored retirement benefit plan where the benefits promised to the members of the plan are defined according to a formula typically based on factors such as salary history and duration of employment.
Derivatives	Derivatives are securities that derive their value from an underlying asset or benchmark. The Group uses derivatives to hedge out certain market risks, in particular inflation, interest rates and currency risks associated with both new and existing business.
Employee Benefit Trust ("EBT")	A trust established to purchase and hold a company's shares on behalf of its employees.
Equity own funds ("EOF")	EOF is a shareholder view of the Group's Own Funds after deducting the notional value of RT1 and Tier 2 debt and aligns to the way the business is managed.
Equity release mortgages ("ERMs")	Equity release mortgages enable a homeowner aged 55 or older to draw a lump sum or regular smaller lump sums from the value of their home, whilst remaining in their home.

Glossary (continued)

Term	Definition
Financial Conduct Authority ("FCA")	The FCA is the regulatory body in the UK responsible for overseeing the conduct of financial services firms.
Financial investments	Represents all assets actively managed or administered by or on behalf of the institution including those assets managed by third parties.
Fitch Insurer Financial Strength Rating	An independent opinion of an insurer's financial strength and ability to meet its ongoing insurance contractual obligations.
Fulfilment cash flows	An explicit, unbiased and probability-weighted estimate of the present value of the future cash outflows minus the present value of the future cash inflows that will arise as the insurer fulfils insurance contracts, including a Risk Adjustment ("RA") for non-financial risk.
Funded reinsurance	Funded reinsurance is a form of collateralised quota share reinsurance contract which transfers part, or all of the asset and liability risks associated with a portfolio of annuities to a third party.
Greenhouse gas ("GHG") emissions	Gases released into the Earth's atmosphere that increase the surface temperature and contribute to climate change.
Gross premiums written (new business)	The premium acquired from new policies by an insurance company within a specific period or a transition. This is comparable with the IFRS statutory new business insurance contract measure of 'Estimates of present value of cash inflows'.
In-force	Business written before the period end and still active at the period end.
Insurance acquisition cash flows	Cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. Such cash flows include cash flows that are not directly attributable to individual contracts or groups of insurance contracts within the portfolio.
Internal Model	For Solvency II reporting, a bespoke model used by an insurer to determine the Solvency Capital Requirement ("SCR") for its quantifiable risks. A firm must have obtained appropriate permissions from the PRA to use an Internal Model.
International Financial Reporting Standards ("IFRS")	UK endorsed International Financial Reporting Standards, which are issued by the International Accounting Standards Board.
Key performance indicator ("KPI")	A measurable value that demonstrates how effectively an organisation is achieving its key business objectives.
Longevity	A measure of how long policyholders, or pension scheme members will live.
Long Term Incentive Plan ("LTIP")	The part of remuneration designed to incentivise senior executives to deliver long-term sustained performance consistent with the Group's risk appetite through an award of shares with vesting dependent on performance against a Group equity own funds target, with a Solvency II coverage underpin.
Matching Adjustment ("MA")	The matching adjustment is an upward adjustment to the risk-free rate where insurers hold certain long-term assets with cash flows that match the liabilities. A firm must have obtained appropriate permissions from the PRA to apply the MA to eligible assets and liabilities.
Net zero carbon	A state where no incremental greenhouse gases are added to the atmosphere, with remaining emissions output being balanced by the removal of carbon from the atmosphere.
Own Funds	Own Funds represent the equity base of an insurer under the Solvency II regime. Own Funds can be classified as 'basic Own Funds', 'eligible Own Funds' or 'ancillary Own Funds' and are structured into Tiers (Tier 1, Tier 2 and Tier 3).
Pension risk transfer ("PRT") (or bulk annuity)	An agreement through which a defined benefit pension scheme seeks to remove some or all of its obligation to pay guaranteed post-retirement benefits by transferring these obligations to an insurer.
Plain English Campaign	A UK commercial editing and training firm which encourages the use of clear language in public information so that the information can be readily understood.
Policyholder	An individual who holds an insurance policy with an insurer. For bulk annuity forms, this is typically through a buyout where the administration of an individual's policy has been transferred from the pension scheme to the insurer.
Private investments	Unlisted private and bilateral loans between an insurer and one or more investment counterparties. Private investments include investments such as physical assets (e.g. infrastructure, social housing, student accommodation, housing associations amongst other investments) and other bilateral loans.
Prudential Regulation Authority ("PRA")	The PRA is a part of the Bank of England and is responsible for the prudential regulation of banks, building societies, credit unions, insurers and major investment firms.

Glossary (continued)

Term	Definition
Reinsurance	Insurance that is sold or purchased from another insurance company.
Risk adjustment for non-financial risk ("RA")	The compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk as the entity fulfils insurance contracts.
Risk appetite	Risk appetite is the level of risk that a company is willing to take (or accept) in its business activities in order to meet its strategic objectives.
Risk margin ("RM")	The RM calculation, which is prescribed under the Solvency II regulations, is intended to represent the amount that a notional third party would require in order to take over the liabilities and have sufficient capital to support them over the lifetime of those liabilities.
Scope 1, 2 and 3 emissions	Greenhouse gas emissions are categorised into three 'scopes'. Scope 1 covers emissions that are directly generated by a company. Scope 2 covers emissions that are created by the generation of the electricity or heat needed by the company to sell its main products or provide its main services (indirect emissions). Scope 3 covers emissions caused by the entire value chain (indirect emissions).
Solvency II (or Solvency UK)	The regulatory regime which intends to align the solvency capital to an insurer's risk profile. Following reform of the risk margin at end of 2023, during 2024, HM Government put in place the remaining legislation and the PRA published its final policy for the new UK solvency regime, which took effect on 31 December 2024. In this report, 'Solvency II' and 'Solvency UK' are used interchangeably to refer to the PRA's post reform regulatory framework, which remains largely based on Solvency II.
Solvency Capital Requirement ("SCR")	The SCR represents the capital that an insurer needs to hold against their quantifiable risks to be able to meet their obligations for the following 12 months, following a 1-in-200 year adverse event. It can also be defined as the capital requirement to meet obligations over the following 12 months with a 99.5% confidence.
Solvency ratio	The solvency ratio is a regulatory capital measure that demonstrates an insurer's financial strength. It shows the ratio of available capital to required capital, which is defined as eligible Own Funds as a percentage of the Solvency Capital Requirement.
Solvency surplus	The Solvency surplus is a regulatory capital measure that demonstrates an insurer's financial strength. It shows the surplus of available capital above required capital, which is defined as eligible Own Funds less Solvency Capital Requirement.
Standard formula	A set of risk-based mathematical formula used by insurers to calculate their SCR under Solvency II. The standard formula is intended to be appropriate for use by most insurers, although firms may obtain permission from the PRA to use an Internal Model that better suits the firm's risk profile.
Stewardship Code (UK)	Stewardship is the responsible allocation, management and oversight of capital. The Stewardship Code sets standards for those investing money on behalf of UK savers and pensioners. It is a voluntary code for asset owners, asset managers and service providers.
Subordinated debt	A fixed interest bond issued by an insurance company. Subordinated debt ranks below other debt in order of priority for repayment in a situation where the issuer defaults or is liquidated.
Surplus generation	Surplus generation measures the amount of surplus capital generated in the year, being the excess of eligible Own Funds over the Solvency Capital Requirement.
Technical provisions ("TP")	The value of technical provisions on the Solvency II basis is equal to the sum of the Best Estimate Liabilities and a Risk Margin.
Transitional measure on technical provisions ("TMTP")	The TMTP allows firms to smooth the transition from the previous regulatory regime to the Solvency II regime via a deduction to the technical provisions on the solvency balance sheet, subject to receiving the appropriate permissions from the PRA. The TMTP only applies in respect of business that was in force at 31 December 2015. The TMTP decreases to zero over 16 years.
Transition Plan	A transition plan sets out a firm's approach to align all its activities to net zero.
Trustee(s)	A Trustee is an individual or company, acting separately from the employer, who holds assets in the trust for the beneficiaries of the pension scheme. Pension scheme trustees are obliged to act in the best interests of the scheme members.
Yield	A measure of the income earned from an investment over a set period of time, most often in the form of interest or dividend payments.

Pension Insurance Corporation Group Limited is committed to responsibly managing its paper purchases. The paper used for the Annual Report and Accounts is FSC® certified and sourced from well-managed forests and other controlled sources. This certification guarantees compliance with a globally recognised set of principles and criteria for forest management.



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