



Legal and General Assurance (Pensions Management) Limited

Solvency and Financial Condition Report
31 December 2025



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Summary

This document

This Solvency and Financial Condition Report (SFCR) is a regulatory document as required by the Reporting section of the PRA Rulebook for Solvency II firms.

This report is prepared in respect of Legal and General Assurance (Pensions Management) Limited ('the Company', 'PMC') for the financial year ended 31 December 2025.

All values are as at 31 December 2025 unless otherwise stated.

Who we are

PMC is a UK-based insurance entity providing a range of investment products to UK clients. The majority of our business relates to unit-linked insurance policies provided to UK pension schemes.

Incorporated as a private limited company in March 1971, we are part of the Asset Management division and are one of the major insurance entities within the L&G Group (the Group).

Our performance

Key financial performance measures for the year ending 31 December 2025, together with the corresponding measures for the previous year, are summarised in the following table.

Measure	2025	2024
Profit before tax (£m)	140	141
Solvency II regulatory surplus (£m)	359	370
Solvency II coverage ratio (%)	218%	210%

Further details on our business and performance are provided in section A.

Our governance

Overview

The board of Legal & General Group Plc is accountable for the long-term success of the Group by setting the Group's strategic objectives and monitoring performance against those objectives. The Group and its subsidiaries operate within a clearly defined delegated authority framework. The delegated authority framework ensures that there is an appropriate level of Board contribution to and oversight of key decisions and that the day-to-day business is managed effectively.

PMC is a separate legal entity within the Group, with its own board of directors, comprised of three non-executive directors and two executive directors, who are responsible for acting independently to promote the success of the Company and exercise independent judgement, as required under the Companies Act 2006.

PMC's Board is responsible for setting its strategic direction and managing the business's daily operations, albeit under the high-level strategic guidance of our immediate parent company L&G - Asset Management Limited ('AM Ltd') and our ultimate parent company Legal & General Group Plc.



There have been no material changes to our system of governance during the year.

Risk management framework

The insurance policies that we write, the investments that we hold to meet our obligations, and the environment in which we operate give rise to a broad range of risks. Our risk management framework supports informed risk taking by our businesses, setting out those rewarded risks that we are prepared to be exposed to and the risks that we want to avoid, together with risk limits and required standards of internal control to ensure exposures remain within our overall risk appetite.

We deploy a ‘three lines of defence’ risk governance model, whereby:

- **First line:** Business functions are responsible for risk taking within the parameters of our risk appetite and accountable for identifying and managing risks in line with our risk policies;
- **Second line:** Risk and Compliance functions led by the Chief Risk Officer provide oversight, objective challenge and guidance on risk and regulatory compliance matters; and
- **Third line:** Group Internal Audit provides independent assurance that risks are effectively managed and that appropriate oversight exists.

Further details on our system of governance are provided in section B.

Our risk profile

There has been no material change in our risk profile during the year ended 31 December 2025.

Our most material risk exposures are:

- Operational and reputational risks;
- Market and broader economic conditions, including sector performance; and
- Insurance risks, i.e. lapse, expense, income.

We assess on an ongoing basis the capital that we need to hold above our liabilities to meet our strategic objectives and ensure continued solvency. Our risk-based capital model seeks to provide a quantitative assessment of our risk exposures. It forms part of the suite of tools that we use to evaluate our strategic plans and set risk appetite. The key output from our capital model is the generation of capital requirements. We calibrate our model to ensuring that we hold sufficient capital to survive our assessment of a 1-in-200 year event, equivalent to a 99.5% value at risk confidence level over one year. In terms of our capital requirements, lapse expense and market risks are our most significant risks.

Further details on our risk profile are provided in section C.

Valuation for solvency purposes

A summary of the balance sheet position as at 31 December 2025 on the Solvency II basis, together with the comparative position as at 31 December 2024, is shown in the following table.



Summary Solvency II Balance Sheet (£m)	2025	2024
Assets held for index-linked and unit-linked contracts	356,750	322,667
Total assets	357,428	323,540
Bid value of policyholder unit liabilities	356,750	322,667
Total liabilities	356,766	322,633
Solvency II Own Funds	662	707

We do not apply any transitional measure, matching adjustment or volatility adjustment within our Solvency II calculations.

There has been no material change in the methods used in the valuation for solvency purposes during the year ended 31 December 2025. Assumptions for technical provisions have been reviewed and updated as part of our established annual review of relevant experience, including observed persistency, fee rates, and incurred expenses.

The movement in Own Funds during the year reflects the combined impacts of movement in the market value of unit-linked funds under management, net new business into those funds, and the assumption basis review, together with payment of dividend to our parent company. In aggregate, this has caused a reduction in Own Funds compared to the previous year and has a corresponding reduction in Solvency Capital requirement.

Further details on our valuation for solvency purposes are provided in section D.

Our capital management

We aim to manage our capital resources to maintain financial strength and policyholder security. There has been no material change in our capital management principles and practice during the year ended 31 December 2025.

We hold a significant capital surplus against our regulatory capital requirements. Our Solvency Capital Requirement (SCR) is calculated using the L&G Group Internal Model which has received the necessary regulatory approvals.

Our Own Funds amount is entirely comprised of unrestricted basic Tier 1 items, and as such there are no ineligible own funds for the purpose of covering our capital requirements.

Our solvency position is summarised in the following table.

(£m)	2025	2024
Solvency II Own Funds	662	707
Solvency Capital Requirement	303	337
Solvency II regulatory surplus	359	370
Solvency II Coverage ratio (%)	218%	210%

Further details on our capital management are provided in section E. The Appendix contains copies of Quantitative Reporting Templates (QRTs) as required by the PRA Rulebook.



Directors' Certificate

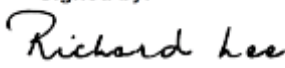
Legal and General Assurance (Pensions Management) Limited – financial year ended 31 December 2025

The Directors acknowledge their responsibility for the proper preparation of the Solvency and Financial Condition Report in all material respects in accordance with the PRA rules and Solvency II Regulations.

The Board is satisfied that to the best of its knowledge and belief:

(a) throughout the financial year to 31 December 2025, the firm has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the firm; and

(b) it is reasonable to believe that in respect of the period from 31 December 2025 to the date of the publication of the Solvency and Financial Condition Report, the firm has continued so to comply and that it will continue so to comply for the remainder of the financial year to 31 December 2026.

Signed by:

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Richard Lee
Chief Financial Officer

25 March 2026



A. Business performance

A.1 Our capital management

A.1.1 Company Details

A.1.1.1 Name and legal form of undertaking

This report is prepared in respect of Legal and General Assurance (Pensions Management) Limited ('the Company', 'PMC') for the financial year ended 31 December 2025.

The Company is a limited company incorporated in England and Wales, authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and by the PRA.

Our registered office is:

One Coleman Street
London
EC2R 5AA

A.1.1.2 Supervisory authority responsible for financial supervision

The supervisory authority responsible for financial supervision of the Company is:

Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA

A.1.1.3 External auditor

The independent external auditor of the Company is:
KPMG LLP
15 Canada Square
London
E14 5GL

A.1.1.4 Qualifying holdings

The Company's issued share capital is £100,000 being 100,000 fully paid ordinary shares of £1 each.

There is one class of ordinary share, and all shares carry equal voting rights.

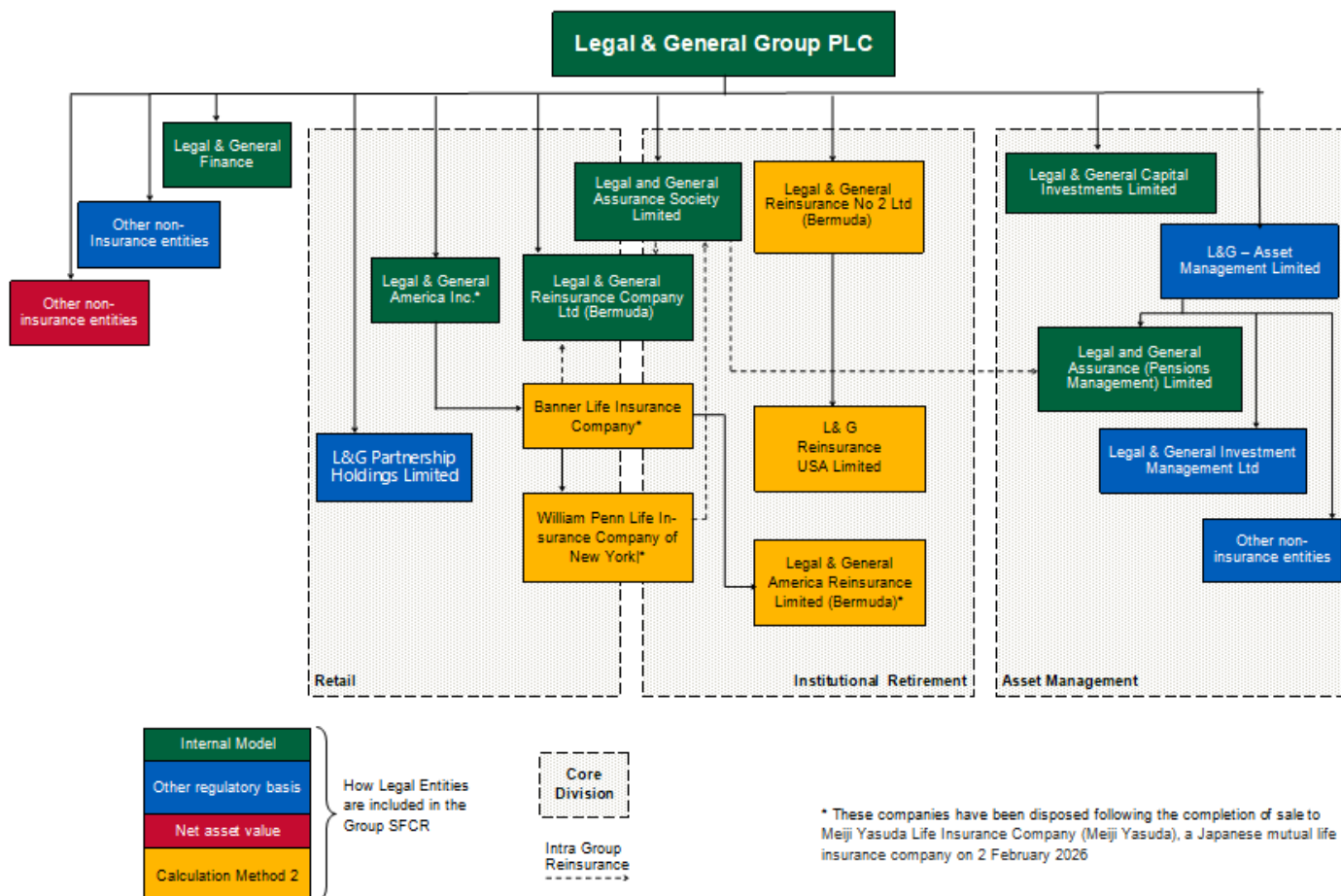
All shares and voting rights are held by the immediate parent company, L&G - Asset Management Limited, which is a company incorporated in England and Wales.



The ultimate parent company is Legal & General Group Plc, which is a company incorporated in England and Wales.

A.1.1.5 Group structure

A simplified group structure at year end 2025 is shown below.



A.1.1.6 Material related undertakings

There are no material related undertakings.

As part of assets held within unit-linked pooled funds, the Company holds interests in certain related property vehicles and holds some investments in regulated structured investment vehicles which are operated by other Asset Management corporate entities, in particular LGIM (Ireland) Risk Management Solutions plc and LGIM Liquidity Funds plc. The investments held are to the extent needed to gain exposure to relevant assets on behalf of unit-linked policyholders, and the Company does not provide any guarantees or other support to these entities.

The Company also routinely holds units in the LGIM Sterling Liquidity Fund as part of its day-to-day cash management.



A.1.2 Material lines of business

The principal business of the Company is the management of assets for pension funds and predominantly relates to UK pension schemes. There is an immaterial amount (1.3%) related to Irish pension schemes.

For Solvency II reporting purposes, the Company has only index-linked and unit-linked insurance material defined Solvency II line of business.

The line of business includes unit-linked contracts where the policyholder is another insurance company, these policies are similar in all material respects for valuation and risk management purposes to the direct business. As at 31 December 2025, approximately 42% of the Company's balance sheet technical provisions relate to reinsurance accepted contracts (2024: 40%).

A.1.3 Significant events over the reporting period

In October 2025 it was announced that the L&G Group plc Chair, Sir John Kingman, is standing down in 2026, and his replacement Scott Wheway was announced. In March 2025, the Company's parent name changed from Legal & General Investment Management (Holdings) Limited to L&G – Asset Management Limited.

The Company has filed various claims related to withholding tax suffered by its policyholder funds. In some cases, the review of such claims by relevant local tax authorities has been slow and/or the claim has been contested and there remains a risk that some claims may not ultimately be successful; lack of success would impact investors' returns and fund performance metrics. The Company has engaged third party legal support to ensure our claims continued to be effectively progressed.

A.2 Underwriting performance

Since the Company prepares its financial statements in accordance with International Financial Reporting Standards (IFRS), the underwriting performance information in this section is presented on an IFRS basis. We consider profit before tax to be an appropriate measure of the underwriting performance.

Profit before tax for the 2025 financial year was £140m (2024: £141m).

The Company's main source of income relates to management fees generated by assets under management. Fee rates have seen downward pressure for several years in the competitive marketplace. Market performance directly impacts the value of assets under management and hence fee revenue.

The market value of assets under management at the end of 2025 was £434bn (2024: £401bn), including segregated funds of £77bn (2024: £79bn) which do not appear on the Company's balance sheet.

Information on policyholder inflows and outflows on pooled funds are presented by Solvency II line of business in QRT IR.05.03.02 in the Appendix of this report.

A.3 Investment performance

The vast majority of assets on the Company's balance sheet are held for unit-linked and index-linked contracts and therefore the nature of the business written is such that investment returns on these assets contribute directly to the value of policyholder units. Assets are invested in line with the fund choices made by the policyholders and the returns achieved consist of dividends, interest and other income receivable, unrealised and realised gains/losses as appropriate.



Shareholder assets are primarily held to provide liquidity and capital security, as distinct from targeting specific investment returns. The investment return on the shareholder assets is included in the overall profit before tax figure shown in section A.2 above. The investment return relates to gains achieved on holdings of UK government bonds and collective investment vehicles, together with interest on cash and short-term deposit holdings. The expense incurred in the investment of shareholder assets is de minimis.

The following table presents a summary of the investment return and expenses for the financial year, together with prior year comparison.

Year to 31 December (£m)	Investment income		Investment expenses	
	2025	2024	2025	2024
Assets held for index-linked and unit-linked contracts	39,575	22,463	(226)	(195)
Shareholder assets	25	33	-	-
Total	39,600	22,496	(226)	(195)

All investment gains and losses are recognised in the income statement. There are no amounts recognised directly in equity.

Investments in securitisations

The Company holds investments in securitisations with a total market value of £99m as at 31 December 2025 (2024: £150m), all of which are held as assets within unit-linked funds. This represents less than 0.1% of the total invested assets.

A.4 Performance and other activities

The Company also writes pension fund management contracts which provide investment management services on a segregated basis. The nature of the segregated contracts is such that each client retains beneficial ownership of their underlying asset portfolios, and therefore the value of those assets under management is not included on the Company's balance sheet.

Accordingly, the investment performance information provided in section A.3 above excludes segregated contracts. For consistency with the balance sheet treatment, the expenses attributable to the management of segregated contracts are shown separately within 'Other expenses' in the IR.05.03.01 QRT (see Appendix) and amounted to £49m (2024: £46m). The corresponding fee revenue amounted to £57m (2024: £61m). The revenue and expenses associated with management of the segregated contracts is included within the profit before tax shown in section A.2 above.

There have been no other significant activities undertaken.

The Company has several operating leases which are rental agreements for various properties held within certain unit-linked funds as assets for unit-linked contracts.

A.5 Any other information

All material information regarding the business and performance of the Company over the financial year has been covered in the above sections A.1 to A.4 inclusive.



B. System of Governance

B.1 General information on the system of governance

The Board of Legal & General Group Plc is accountable for the long-term success of the Group by setting the Group's strategic objectives and monitoring performance against those objectives.

L&G Group is managed across business divisions rather than legal entities. PMC is an entity within the Asset Management business division.

B.1.1 Structure of the PMC Board

PMC is a separate legal entity within the L&G Group, with its own board of independent non-executive and executive directors responsible for exercising independent judgement. The PMC Board is accountable for the long-term success of the Company by setting the Company's strategic objectives, monitoring performance against those objectives and overseeing the business activities undertaken by the Company, whilst operating within the framework and overall strategy defined by the Group Board.

PMC's operational and governance arrangements are distinct from the Group's other major businesses. As a result of the corporate structuring and the operation of English company law, PMC's assets are legally and financially separated from the rest of L&G Group and from other entities within the Group.

The PMC Board, which meets at least quarterly, currently comprises three non-executive directors and two executive directors. There are clearly defined statements of responsibilities for both the Chair and the Chief Executive, which are reviewed as part of the annual governance review undertaken by the Board.

The Board receives the support and advice of the Company's Chief Actuary and Chief Risk Officer. The Chief Risk Officer is a standing attendee at all Board meetings, together with the Company Secretary. It also receives legal advice from General Counsel and has access to independent advice.

There is a defined schedule of matters reserved for the PMC Board, which is approved and reviewed annually. The types of matters reserved for the Board include matters relating to the Company's strategic plan, Board membership, delegation of authority, and declaration of dividends.

Those matters which are not reserved are delegated to the PMC Executive Committee, which is chaired by the PMC CEO, whose role is to exercise the responsibility of the PMC Board for ensuring that a forum for debate and decision-making is regularly convened in order that PMC's legal, regulatory and financial obligations are discharged within an appropriate governance framework. The PMC Executive Committee ordinarily meets on a monthly basis; however, it may meet less frequently if monthly meetings are not required, and at such other times as its Chair considers appropriate.

In addition to the matters reserved, the PMC Board has a schedule of regular agenda items which includes an update from its primary delegated committee (PMC Executive Committee) through the Chief Executive's report, Compliance, Risk and Finance reports, Business Technology & Risk report, Product report and Investment Oversight Committee and Investment Performance reports. The PMC Board also receives relevant business updates from its other delegated committees and from various key function holders on issues impacting PMC.



Oversight of PMC's key functions is either by way of:

- Delegation to committee (either the PMC Executive Committee or an Asset Management committee)
- Direct oversight by the PMC Board or via a PMC Board member who is the key function holder.

Currently, where oversight is delegated to a committee, each committee includes at least one PMC board member and/or key function holder.

The **PMC Audit Committee** (a sub-committee of the PMC Board) has responsibility for oversight of the Company's financial reporting processes and internal control, as well as the work undertaken by the external and internal audit functions. The **L&G - Asset Management Ltd Risk Committee (LRC)** (a sub-committee of the AM Board) is responsible for reviewing the Company's risk profile and emerging risk factors. Both the PMC Audit Committee and LRC are constituted wholly by non-executive directors.

B.1.2 Key Functions

B.1.2.1 Senior Management Functions

The Company operates within the Senior Managers & Certification Regime (SMCR) for insurers, which took legislative effect from December 2018.

A framework is in place accordingly which includes identifying material risk takers, the annual certification of senior managers of prescribed functions, prescribed responsibilities, individual accountability, and the reporting of any breaches to the regulator.

B.1.2.2 Delegation of Key Functions

PMC delegates three key functions to LGIM Limited to undertake which are:

- Fund operations, including the pricing and valuation of assets, the unit pricing of pooled funds and the oversight of appointed third parties
- Marketing and customer operations, including the marketing and promotion of PMC's products and services, customer record keeping and client reporting
- Product management, incorporating product development and product maintenance including an appropriateness assessment

AM Ltd provides resources for Risk Management, Internal Control, Compliance, Internal Audit, Finance and IT functions.

PMC retains the responsibility for the above functions with the relevant business area heads being the key function holder on behalf of PMC.

B.1.2.3 Key Committees Within the Asset Management Governance Framework

Certain activities are provided by the following Asset Management executive committees:



- **Investment Oversight Committee:** To ensure that the investment management activities and associated services performed by LGIM Ltd, its delegates and other fund managers are conducted in accordance with applicable regulations, the terms of the relevant governing IMA and the relevant policies and procedures;
- **Asset Management Product Governance Committee:** To establish a governance structure to oversee the design and development of Asset Management products; to ensure that appropriateness of pooled fund products can be evidenced and to ensure that information provided to distributors is sufficient; to oversee the review of products through the product lifecycle process;
- **Asset Management Executive Risk Committee (AM ERC):** To ensure that the critical business, regulatory and operational risks are identified assessed and managed by the appropriate processes and to ensure compliance with the relevant regulatory controls; to ensure there are appropriate management structures and sub-committees in place to manage the identified risks and regulatory requirements;
- **Asset Pricing & Valuation Committee (APVC):** A sub-committee of the AM ERC to ensure that asset prices and valuations are fair, accurate, and reflective of true market value;
- **Fund Tax Committee (FTC):** A sub-committee of the Asset Pricing & Valuation Committee to ensure that the prices and valuations applied to assets held within funds and portfolios are fair, accurate, and reflective of their true market value. The FTC's role is to support the APVC in the governance of any tax-related inputs to prices and valuations, particularly in relation to pooled fund products. It includes withholding tax claims recoverable considerations;
- **Corporate Liquidity & Capital Committee:** A sub-committee of the AM ERC responsible for identifying and assessing the risks and regulatory obligations that Asset Management entities face in managing corporate capital and liquidity and ensuring that appropriate financial risk management and compliance frameworks are established;
- **Fees Committee:** A sub-committee of the Product Governance Committee to monitor, review and approve fee rates on behalf of AM Ltd and its subsidiaries, subject to limits on the delegated authorities;
- **Asset Management Change Management Committee:** To mobilise change initiatives and partner across functions to deliver change, ensuring all necessary activities are managed across the relevant business, IT and Change functions.

Further PMC support and oversight is provided by the following Board sub-committees:

- **L&G – Asset Management Ltd Conflicts of Interest Committee:** To provide independent oversight of Asset Management firms' identification, prevention, management and disclosure of conflicts of interest and potential conflicts of interest;
- **L&G – Asset Management Ltd – Asset Management – Investment Stewardship Committee:** To monitor and review the role of AM Ltd and its subsidiaries as an investor on matters of corporate governance and investment stewardship; to monitor and evaluate strategy and policies on corporate governance, including oversight of the consistent application of such policies across engagement with investee companies, regulators and collaboration with other stakeholders;
- **L&G – Asset Management Ltd – Risk Committee:** To provide guidance with regard to the Company's risk appetite, to provide advice on what constitutes acceptable risk taking and to provide oversight of risk management policies and procedures; to review and approve a robust framework to ensure that the identification, monitoring, managing and reporting of risks is embedded in the Asset Management division. This committee provides support to the extent that the risks being considered are also relevant and material for the wider division, with any other items that are specific to the Company being considered separately by the PMC Board.



- **PMC Audit Committee:** Responsible for the adequacy and effectiveness of the internal control framework, financial statements and other statutory and regulatory reporting; to assess the effectiveness of the annual audit plan.

B.1.2.4 Key Function Holder Oversight

Where function oversight is not delegated to a committee, the oversight function is carried out directly by the senior manager who is the key function holder. The responsible individual reports and escalates any issues to the Chief Risk Officer, the PMC Executive Committee or directly to the PMC Board as required.

B.1.3 Details of Any Material Changes

No material changes in the system of governance within PMC have taken place over the reporting period.

During 2025 the members of the PMC Board changed, with two executive members resigning from the Board such that the Board now comprises of three non-executive directors and two executive directors.

A new Chief Risk Officer was appointed in December 2025.

B.1.4 Remuneration Policy and Practices

The remuneration policy is consistent across the L&G Group and is designed to reward, motivate and retain high performers in line with the risk appetite of the Group. The Group Remuneration Committee is responsible for determining and approving the framework of the remuneration policy for the Group and its subsidiaries. Details can be found in the Directors' Report on Remuneration in the Legal & General Group Plc Annual Report and Accounts.

The Company itself does not have any direct employees. Staff members, including executive directors, supporting the Company are employed and paid by either the parent company, AM Ltd, or by another L&G Group subsidiary, Legal & General Resources Limited. The Company is recharged a portion of the costs incurred.

Fees are payable by the Company to the non-executive directors. As above, this is managed by the parent company and the cost of their services to the Company is reflected in a management charge levied by the parent.

B.1.5 Material Transactions

There were no material transactions between the Company and its directors or key managers or persons exercising a significant influence on the Company during the reporting period.

Under a management agreement, the Company's shareholder supplies and charges for administrative and staff expenses to the Company. The amount of this recharge for 2025 is £84m (2024: £88m).

The Company declared and paid £98m in dividends to its parent company during the year (2024: £125m).

B.2 Fit and Proper Requirements

B.2.1 Key Requirements

In summary the policy requires that each insurance regulated entity shall establish, implement and maintain documented policies and adequate procedures to ensure that all persons who are responsible for running the entity or are responsible for other key functions are at all times fit and proper.

The assessment of fitness and propriety covers the following factors:

- Honesty, integrity and reputation;



- Competence and capability; and
- Financial soundness.

B.2.1.1 L&G Assessment Procedures

In support of the Group policy, defined processes are in place to ensure that the fitness and propriety of applicants is carefully considered before an application to the regulators to grant approval is submitted. An assessment will also be made before a notification is made to the regulators in relation to the appointment of a Key Function Holder.

L&G will not support an application for approval or a notification if it is believed that the candidate fails to meet any element of the fit and proper test.

Each application will be looked at on its own merits, on a case-by-case basis, but the following principle generally applies to all applications:

- That the candidate has been open and honest with Legal & General and disclosed all relevant matters;

If the candidate has disclosed any incidents pertaining to their fitness and propriety, the following will be considered:

- The seriousness of the issue and the relevance to the specific role applied for;
- The passage of time since the incident occurred; and
- Whether the issue relates to an isolated incident or whether there is a pattern of adverse behaviour.

Fit and Proper Assessment criteria have been developed, and each application will be considered against each criterion, regardless of the current approved status of individual. The criteria are:

- Knowledge – does the individual have generic knowledge of the industry sector and specific knowledge of the firm;
- Qualifications – does the individual have prerequisite or supporting relevant qualifications;
- Skills – does the individual demonstrate the appropriate level of business and interpersonal skills;
- Behaviour – does the individual demonstrate the appropriate attitudes and standards of ethical behaviour; and
- Expertise – does the individual achieve positive and fair outcomes and meet performance standards expected of the post.

The assessment criteria are also relevant in assessing the continuing fitness and propriety of approved persons.

B.2.1.2 Maintaining Fitness and Propriety

Annually, individuals will be required to certify that there has been no change to the information provided at the point of approval and consequently, the fitness and propriety status is unchanged.

Legal & General Group's policies and procedures place an obligation on approved persons to notify the Group Compliance and Conduct Risk Director and HR Director in the event of any pending or actual criminal, civil or other disciplinary charges, judgements, petitions for bankruptcy, or other actions or disciplinary measures whatsoever, against them or any entity, body or other entity with which he/she is, or has been, associated.

Should such a notification occur, L&G will assess the information to decide whether the individual remains fit and proper. If the assessment ultimately concludes that the individual can no longer remain as an approved person, a notification will be made to the regulators in line with the regulatory requirements.



L&G's performance management process is the primary mechanism for tracking ongoing competency. L&G will take appropriate steps to monitor an individual's financial soundness on an ongoing basis.

B.3 Risk Management System Including the own Risk and Solvency Assessment

B.3.1 Risk Management System

The Company deploys a 'three lines of defence' risk governance model, whereby:

- **First line:** Business functions are responsible for risk taking within the parameters of the Company's risk appetite and accountable for identifying and managing risks in line with risk policies and appetite;
- **Second line:** Risk and Compliance functions led by the Chief Risk Officer provide oversight, objective challenge and guidance on risk matters; and
- **Third line:** Group Internal Audit provides independent assurance on the effectiveness of business risk management and the overall operation of the risk framework.

B.3.1.1 Risk Appetite

The Company's risk appetite defines its overall attitude to risk, and the ranges and limits of acceptable risk taking.

The Company's risk appetite is reviewed annually by the Asset Management Risk Committee and approved by the Company's Board. The regular management information received by the Board and Risk Committees includes monitoring of the actual positions relative to the key targets and limits that are set.

The Group Risk Committee leads an annual review of the Group's risk appetite, assessing the continued appropriateness of the key measures and tolerances relative to the risk exposures of the Group. Additionally, as part of the annual planning cycle, assessment is made of the level of risk taking proposed in the Group plan and the capacity for risk taking within the overall appetite framework.

B.3.1.2 Risk Taking Authorities

The parameters of acceptable risk taking are captured within the divisional Risk Appetite Statement, which mandates the target capital positions and ranges of earnings volatility within which the overall profile of risks should be managed; and sets tolerances for specific risk exposures. Activities that would result in a business operating outside agreed parameters require formal approval from the Board.

B.3.1.3 Risk Policies

Risk Control

The Company sets formal policies for the management of risks, either by consideration and adoption of a relevant Group policy if suitable or by approval of a PMC-specific policy. The policies specify the overall strategies for ensuring each risk type is managed in line with the Company's risk appetite and the minimum control standards that should be applied in managing significant risk exposures.

Risk Mitigation

The Company deploys a range of risk management techniques to manage and mitigate risks, so as to control risk exposures in line with risk limits. The framework of controls includes documented policies and structured delegated authorities.

B.3.1.4 Risk Identification and Assessment

Review Process



The Company operates a risk identification and assessment process under which changes in the profile of existing and emerging risks are regularly considered. The assessment process evaluates the risks that are inherent in the Company's products as well as those that are presented from changes in the environments that the Company operates in.

Own Risk Solvency Assessment (ORSA)

The risk identification and assessment process forms part of a broader 'own risk and solvency assessment' process, which is an ongoing assessment of the risks to which the Company is exposed and an evaluation of the sufficiency of resources to sustain the business strategy over the horizon of the planning period.

B.3.1.5 Risk Management Information

The risk management information framework is structured to report and support the review of ongoing and emerging risks and assess actual risk positions relative to the risk limits and targets that are set.

B.3.1.6 Risk Oversight

The Chief Risk Officer (CRO) for PMC is the CRO for the Asset Management division. The divisional CRO and their team operate as an independent second line oversight function with reporting lines, systems and processes which are independent of the first line functions. This includes providing objective challenge and guidance on a range of risk matters to business managers, including the risks implicit in product developments, business transactions and new asset classes, and strategies for managing risks in line with the Company's overall risk appetite.

The Company operates within the Group's risk management framework.

The Company's Board has ultimate responsibility for ensuring that the Group's risk management framework is appropriate for the Company.

The Company's Board:

- Owns the Company's overall risk management system
- Owns the Company's risk appetite statements
- Is the ultimate owner of the Company's regulatory relationships.

The Asset Management Risk Committee ensures the effectiveness of the overall risk management system and recommends to the Company's Board material changes in risk appetite.

The Executive Directors are accountable for:

- The implementation and operation of the risk management system
- Identifying, measuring, managing, monitoring and reporting risks within the business
- Ensuring all business decisions are informed by risk-based measures by reference to the agreed risk appetite statements wherever appropriate
- Ensuring appropriate risk taking and risk assurance resources are in place.

The Group Chief Risk Officer (Group CRO), who is independent of the business line, supports the Group Board and its Risk Committee in articulating acceptable risk taking and ensuring the effective operation of the risk and capital framework. Beneath the Group Risk Committee is a structure of formal risk oversight committees providing more focused review and challenge of specific risks and reviewing the effectiveness of frameworks in place to manage those risks.



The Divisional Chief Risk Officer and their team provides a focused review and challenge of business processes and the management of the risks implicit in each of their operating divisions. The divisional CRO sits on the relevant divisional Executive team committees and strategic planning meetings to ensure that appropriate risks are considered at the earliest point and ensure engagement of other risk specialists as appropriate. The Divisional CRO for Asset Management chairs the Asset Management Executive Risk Committee, attends Asset Management Risk Committee meetings and PMC Board meetings, and has a direct reporting line to the divisional CEO and access to the Group Risk Committee through the Group CRO.

Group Internal Audit provides the third line of defence across the Group. It provides assurance to the Group, Asset Management and PMC Audit Committees, Executive Directors and risk management function that the design and operation of the risk management system is appropriate for all risk types.

B.3.2 Own Risk and Solvency Assessment

The purpose of the ORSA is to assess the Company's risks and evaluate the sufficiency of its financial resources to sustain the business strategy over the plan horizon across a range of scenarios. The Group ORSA process covers each Solvency II regulated insurer and the whole Group, including non-EU entities and non-insurance entities.

The ORSA process brings together, and is integrated with, the risk and capital management processes by which the Company identifies, assesses, monitors and measures its risks, reviews the business against risk appetite and tolerances, and projects the solvency position over the business planning period. The ORSA cycle is aligned with the strategic and business planning process so that the key elements can interact and inform forward-looking decision-making.

The ORSA policy was last reviewed by the Group Risk Committee on behalf of the Group Board in October 2025. The updated Group policy was cascaded to the legal entities within the Group and was approved by the PMC Executive Committee in November 2025.

Regular ORSA processes are aligned with the Group-wide strategic and business planning process, with various Group functions coordinating and/or aggregating key ORSA inputs provided by the business divisions.

Additionally, a solo entity ORSA report for the Company is produced on an annual basis which is reviewed, including by the Corporate Liquidity & Capital Committee and the Asset Management Risk Committee and approved by the PMC Board.

The core stages to the ORSA process are as follows:

- ORSA framework and policy reviewed along with lessons learned and feedback from the previous ORSA cycle;
- Stress and scenario tests determined and recommended in order to provide sufficient time to model the results of those tests;
- Projections of capital requirements conducted as part of the annual planning process, including capital coverage ratio on the Solvency II basis; stress and scenario testing results inform the review of the plan;
- Formal ORSA reporting prepared, including the CRO's review of the plan and ORSA report.

Throughout the year, both the Group and the Company monitor performance against the current plan as well as monitoring risk and capital management information.



B.3.3 Governance of the Internal Model

The Group Board is ultimately responsible for ensuring the continuous appropriateness of the design and operation of the Group’s partial internal model (the Internal Model). This responsibility is discharged through the Group Risk Committee, whilst the Group Risk Financial Risk Committee (GRFRC) oversees Internal Model activities. The PMC Board is responsible for ensuring the continued appropriateness of the design and operation of the relevant PMC elements of the Internal Model.

The overall appropriateness and effectiveness of the Internal Model depends upon the effective operation of the established internal control system.

First line business management are responsible for implementing adequate and effective controls over the Internal Model as well as the material risk exposures, with the ongoing application and effectiveness of these overseen by second line risk teams and by Group Internal Audit in the third line of defence. Material concerns are escalated to operational and senior management for resolution. The status of remediation activity is monitored by Group and divisional risk teams, with significant issues escalated to the GRFRC and Asset Management Risk Committee and where necessary to the Group Risk Committee.

This approach has ensured the implementation of adequate controls over the ongoing appropriateness of the design and operation of the Internal Model, and these controls are subject to effective governance and oversight.

The Group Internal Model Governance Policy sets out the governance framework in place for the Internal Model designed to mitigate model risk. This complements the existing system of governance, highlighting specific requirements in respect of the Internal Model to ensure that it operates properly on a continuous basis, including ensuring that controls relating to the Internal Model are implemented in accordance with the Group Internal Control Policy and are adequate and effective at all times.

The Internal Model governance framework is outlined in the following table:

Board/Committee	Responsibilities
Group Board	Ensuring the on-going appropriateness of the design and operation of the Internal Model. This responsibility is discharged through the GRC, subject to certain matters being reserved for its direct attention.
PMC Board	Ensuring the on-going appropriateness of the design and operation of the PMC elements of the Internal Model; use and challenge of the model in decision making; ensuring that the model’s scope remains appropriate; and ensuring that appropriate validation is performed.
Group Risk Committee (GRC)	Monitoring the performance and appropriateness of the Internal Model, including ensuring that related controls are adequate, effective, and implemented in line with the Group’s Internal Control Policy.
Group Risk Financial Risk Committee (GRFRC)	Overseeing the design, development and operation of the Internal Model to ensure that it operates as expected on a continuous basis to meet the Group’s regulatory and economic requirements for risk-based capital management. This includes reviewing the effectiveness of internal controls as they relate to the Internal Model through the receipt of relevant reports and MI.

Regular papers covering PMC internal model elements are presented to the PMC Executive Committee including commentary on changes since the corresponding previous paper, rationale for particular methodology and assumption choices, and discussion of any material model limitations and plans for development.

B.3.3.1 Internal Model Controls

The first line business functions are responsible for operating a robust control framework to manage exposures and mitigate unacceptable outcomes (per the risk appetite). This includes the implementation of controls to mitigate key risks associated with processes they are responsible for and ensuring that these are regularly reviewed and remain



fit for purpose. Day-to-day responsibility for ensuring that internal controls are in place and are operating effectively over Internal Model related processes is delegated to Internal Model Controllers (IMCs). IMCs provide first line management coverage of the Internal Model across all relevant legal entities and business units. The IMC for PMC sits within the PMC Actuarial Function. Key responsibilities include ensuring compliance of relevant PMC controls and practices with the requirements of the Group Internal Model Governance Policy and Group Internal Control Policy.

Additional oversight of the internal control system is provided by the Group Risk and divisional risk teams.

B.3.3.1.1 Changes Over Reporting Period

There have been no material changes in respect of Internal Model governance during the year.

B.3.3.1.2 Internal Model Validation

The Group Validation Policy and associated standards define the Group's validation framework and capture the requirements of the PRA Rulebook and relevant regulations. The framework requires an annual validation cycle for the Internal Model. This has been performed in relation to the production of the Solvency Capital Requirement as at 31 December 2025. The objective is to produce a robust, proportionate and demonstrably complete approach to validation overseen by the Group Chief Risk Officer.

There is an annual assessment to determine which aspects of the Internal Model must be independently validated. Independent validators must demonstrate how independence is met and state any limitations on independence.

Requirements for each annual cycle are specified in the Validation Terms of Reference. First line and second line validators for the PMC elements of the model outline approach, activities, tools and aspects of the model in Validation Work Programmes. The results, conclusions and consequences including any remediation are detailed in independent validation reports or first line validation reports which are presented to the GRFRC for approval. The PMC Validation Completion Report is reviewed at the Corporate Liquidity & Capital Committee.

Internal Model validation activity for the reporting period covered the whole of the Internal Model. The level of validation undertaken was consistent with the level of risk incurred. Independent validation was performed on those areas identified as most material to the Internal Model's operation and results. The outputs are validation reports, highlighting key findings, strengths, weaknesses, limitations and remediation actions.

B.4 Internal Control System

In line with the Group internal control policy the Asset Management division's internal control system shall at least include administrative and accounting procedures, an internal control framework, appropriate reporting arrangements at all levels of the undertaking and a compliance function.

The internal control framework seeks to ensure that:

- An organisational structure is defined, with clarity of roles, responsibilities and reporting lines;
- Appropriate management information and reporting processes are defined;
- Frameworks for decision making (including the delegation of authority) are articulated;
- Clear segregation of duties is in place;
- Conflicts of interest are managed;
- Administrative and accounting procedures are aligned with Group requirements;



- Personnel have sufficient skills, knowledge and expertise to discharge their responsibilities (including those relating to the regulatory environment);
- Adequate and orderly records of business are maintained;
- The security of customer data and other internal records is ensured;
- Business procedures combat financial crime;
- Processes are in place to deal with policyholder claims and complaints;
- The integrity of manual and computerised business systems is ensured; and
- Processes ensure assessment of the possible impact of any changes in the legal environment.

The PMC entity board, PMC Audit Committee, and Asset Management Risk Committees oversee the adequacy and effectiveness of the internal control framework, primarily through the receipt of assurances in support of the UK Corporate Governance Code, and reports from Group Internal Audit, external auditors, and risk teams in the second line of defence.

B.4.1 Solvency II Compliance Function

The Company has defined the Solvency II Compliance function as being responsible for:

- Advising the Board and its sub committees on compliance with the requirements of Solvency II and its associated laws, regulations and administrative provisions;
- Advising the Board on the possible impact of any changes in the legal environment on operations of the undertaking concerned and the identification and assessment of compliance risk;
- Developing and managing the Solvency II Compliance Policy, which inter alia sets out the responsibilities, competencies and reporting duties of the Solvency II compliance function; and
- Establishing and operating the Solvency II Compliance Plan that details the activities the function will undertake in relation to compliance risk.

The CRO is the functional head of Solvency II Compliance at the entity level, with the Compliance, Risk, Actuarial, Finance, and HR functions delivering activities in support of the Solvency II Compliance function.

Our Solvency II Compliance Policy defines who will perform the governance tasks and other activities of the Solvency II Compliance function, their roles and responsibilities, and the overall approach to assessing, monitoring and reporting compliance with applicable laws, regulations and administrative provisions adopted pursuant to Solvency II.

Our Solvency II Compliance Plan is defined as the review activities performed by the Solvency II Compliance function to support it in advising the Board and its sub committees on compliance in relation to Solvency II matters.

B.5 Internal Audit Function

Group Internal Audit acts across the Group, providing a third line of defence. Group Internal Audit's responsibilities towards the Company align with its responsibilities towards the Group. It is an independent and objective assurance and advisory function whose primary role is to support the Board and Executive Management in the protection of the assets, reputation and sustainability of the Group.

Group Internal Audit is responsible for the development of an internal audit plan, with a corresponding delivery timetable and budget. The plan typically details proposed audits over the next twelve months. Group Internal Audit reviews the plan regularly and advises the Board, through the PMC Audit Committee, of any material alterations to it. Any impact of resource limitations and significant interim changes are communicated promptly to the PMC and



Asset Management Audit Committees and Group Audit Committee and to senior management. The Internal Audit plan is developed using a risk-based methodology, including input from executive and non-executive senior management. Any significant deviation from the approved internal audit plan is communicated through the activity reporting process.

The scope of Group Internal Audit's role encompasses, but is not limited to, the examination and evaluation of the adequacy of the governance, risk management and internal control processes in relation to the Company's defined goals, risk appetite and objectives. There is no aspect of the business from which Group Internal Audit is restricted from incorporating in its scope as it delivers on its mandate. Internal control objectives considered by Group Internal Audit include:

- effectiveness of design and operation of processes and their actual outcomes, assessed against the Group's established values, ethics, risk appetite and policies;
- the appropriateness of the organisations' risk and control culture, including the attitude and approach taken by all levels of management to risk management and internal control;
- efficiency of operations, and use of resources;
- compliance with laws and regulations;
- reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information; and
- safeguarding of assets.

The Group Chief Internal Auditor reports functionally to the Chair of the Group Audit Committee and administratively to the Group Chief Executive Officer.

The internal audit activity remains free from interference by anyone within the L&G Group. This includes the choice of business areas to audit, procedures, frequency, timing, or the content of reports. This ensures that the Group Internal Audit function can maintain its necessary independent and objective perspective.

Internal auditors have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditors' judgement.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and will not lose their objectivity when forming judgements.

The Group Chief Internal Auditor confirms to the Group, PMC and Asset Management Audit Committees, at least annually, the organisational independence of internal audit activity.

B.6 Actuarial Function

As part of the Senior Management & Certification Regime (SMCR), the PMC Chief Actuary as SMF20 has responsibility to ensure an effective Actuarial Function. The actuarial activities are split between those involved in delivery of actuarial analysis and reporting, and independent oversight and validation.

Delivery of the actuarial analysis and reporting are assessed and monitored via review of documents to demonstrate compliance with agreed methodologies and production standards, and regular meetings to assess ongoing effectiveness.



Independent oversight and validation is performed within the second line Actuarial Team, which the PMC Chief Actuary leads, providing review and challenge for all aspects of the Solvency II reporting including:

- best estimate assumptions with associated stresses and correlations for capital setting purposes
- review of the Technical Provisions and SCR
- risks PMC is exposed to
- review of the PMC internal model changes
- review of regulatory reporting including the SFCR, ORSA and QRTs
- review of proposed dividends
- solvency II compliance for PMC.

More generally SMCR requirements are addressed through various activities and the membership of a number of key entity, divisional and Group Committees with risk and financial reporting responsibilities. For example, a number of reports during the year were provided to the Board on the data, models, methodologies, assumptions and results of the Solvency II Technical Provisions calculations.

In addition, the Chief Actuary presents an annual report to the PMC Board summarising the activities of the Actuarial Function during the year to:

- support compliance with the requirements on the calculation of Technical Provisions;
- provide opinions on the underwriting and reinsurance arrangements; and
- contribute to the effectiveness of the risk management system more widely.

B.7 Outsourcing

The Group's Outsourcing and Essential Supplier Services Policy sets out the framework and minimum standards of control and governance that L&G expects to be applied in the management of risks associated with outsourced supplier service arrangements. The policy specifies that an activity should not be outsourced where it would materially impair the quality of the system of governance; unduly increase exposure to operational risk; impair the ability of supervisory authorities to monitor compliance with obligations; or undermine continuous and satisfactory service to policyholders.

The policy requires that for all outsourced arrangements a rigorous evaluation and supplier selection process is undertaken having regard for the financial stability, expertise, ability and capacity of the supplier to deliver the required service. The policy also specifies that a written contract must be in place which must include: a service level agreement; the conditions under which the arrangement may be terminated; provision for the orderly transition of services if the contract is terminated; a defined mechanism to resolve disputes arising out of or relating to the contract; appropriate contingency plans should the supplier be unable to provide the required service; and provision for the continued availability of any software upon which L&G is reliant. We are endeavouring to ensure that all contracts must also provide access to the providers' premises, business management and any data relating to the outsourced activity, by L&G's Internal Audit, Risk and Compliance functions, its external auditors and supervisory authorities; and appropriate warranties that L&G and client data is adequately protected against unauthorised access at all times. All outsourced arrangements must be managed under the direction of a named L&G relationship manager. The Risk function maintains oversight of the management of outsourcing arrangements established by the first line business operations.



A number of the Company's external supplier arrangements are considered to be critical or important operational functions or activities and are monitored in line with the policy. These are:

- Citibank NA, which provides custodian services for the Company's non-UK assets and most of the Company's UK assets
- HSBC Bank plc, which provides the Company with banking services.

Under an Agency Agreement, Citibank NA also provides the Company with a securities lending service which operates for the benefit of certain unit-linked funds of the Company within strictly defined parameters.

The following significant services are provided to the Company by other companies within the L&G Group:

- Administration services are provided by L&G – Asset Management Limited ('AM Ltd').
- Investment management services are provided by Legal & General Investment Management Limited, with services in respect of specific funds sub-delegated to Legal & General Investment Management America Inc. and to Legal & General Investment Management (Asia) Limited.
- Investment management services in respect of Property investments are provided by Legal & General Property Limited.
- Investment management services in respect of Real Estate Debt investments are provided by LGIM Commercial Lending Limited.

These services are primarily charged to the Company on a cost recovery basis, and the outsourcing risks are assessed as if the Company performed the services directly.

AM Ltd is currently progressing a multi-year Strategic Target Operating Model programme under which certain operational activities will be outsourced to a third-party provider, State Street. The first delivery of the phased implementation completed during Q1 2024. Stages through 2025 were largely unrelated to PMC activities with further stages planned to deliver over 2026 and 2027.

B.8 Any Other Information

B.8.1 Adequacy of the system of governance

The Group Executive Risk Committee (which reports to the Group Risk Committee) undertakes an annual review of the Group's risk management framework and broader system of governance to confirm its adequacy given the nature, scale and complexity of the risks inherent in its business. The most recent review was completed in January 2026, where the Committee concluded that the Group's risk framework aligns with the Group's key risk exposures and operated effectively during 2025 in identifying material risk exposures. The Company operates within the Group's risk management framework, and the report includes the effectiveness of controls for the Asset Management Division.

B.8.2 Any Other Information

All material information regarding the system of governance has been covered in the above sections B.1 to B.8 inclusive.



C. Risk Profile

The ORSA is an ongoing analysis of the risk profile and the sufficiency of capital resources to sustain the Company's business strategy over the plan horizon across a range of scenarios. The process, which is undertaken across the whole group, considers how the risks to which the Company is exposed may evolve over the planning cycle; the impacts of a range of more extreme stresses and scenarios on those risks; and the consequential impacts on the solvency position. The ORSA process is integrated into our business risk and capital management activities and aligned with the strategic planning process to inform forward-looking decision-making. As such, it is a key business management tool for the Group.

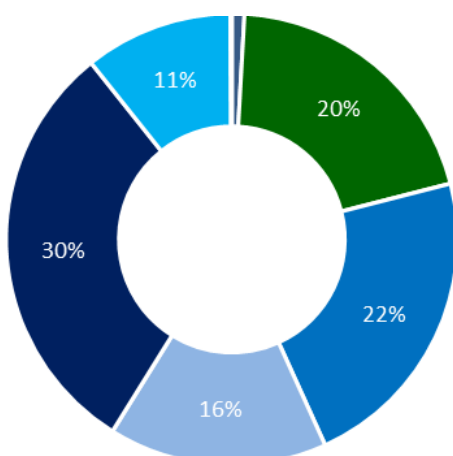
The Company's risk-based capital model seeks to provide a quantitative assessment of relevant risk exposures. It forms part of the suite of tools used to evaluate the Company's strategic plans and set risk appetite.

The key output from the capital model is the generation of capital requirements. The model is calibrated to a 99.5% value at risk confidence level over one year, equivalent to ensuring that sufficient capital is held to survive the assessment of a worse case 1-in-200 year event.

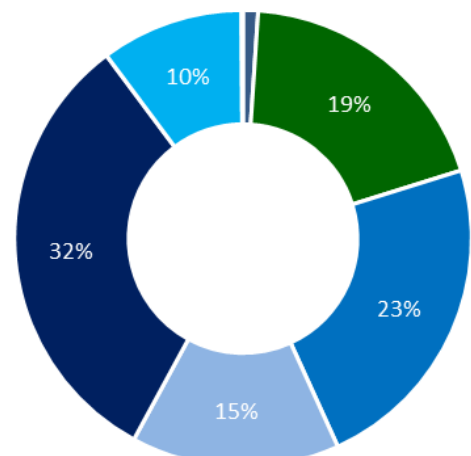
There has been no material change in the Company's risk profile during the financial reporting year.

In terms of the Company's Solvency II capital requirement, operational risk, underwriting (expense, lapse, income) risks and second order impacts of the effect of market risks on unit linked funds remain the most significant risks. The charts below show a percentage breakdown of the PMC's pre-diversified Solvency Capital Requirements on a regulatory basis by major risk type.

Solvency Capital Requirements 2025
 (pre-diversified)



Solvency Capital Requirements 2024
 (pre-diversified)



- Credit Risk
- Market Risk
- Expense Risk
- Income Risk
- Lapse Risk
- Operational Risk
- Counterparty Risk



C.1 Underwriting Risk

C.1.1 Material Risk Exposures

Given the nature of the Company's business, underwriting in this context refers to the setting of policyholder contract terms and fee rates, together with the associated taking on of lapse, expense and income risks. Underwriting risk is the exposure to loss arising from experience of these items being different to that anticipated.

On an IFRS basis, the Company's exposure to underwriting risk is immaterial.

Under Solvency II, the Own Funds amount includes a present value of projected future cashflows. Therefore, the Solvency II Own Funds are exposed to underwriting risk in so far as emerging future experience may differ from the assumptions made in calculating the present value.

Policies contain no material options or guarantees, and the Company has wide contractual rights to vary policy terms and conditions (including charges) upon suitable provision of notice to policyholders.

Pooled contracts contain an embedded annuity option whereby individual scheme members may purchase an annuity at the market rates prevailing at the time of purchase. Any such annuities would be automatically 100% reinsured under an existing reinsurance treaty. The terms of this option are therefore financially immaterial to PMC and in practice no such new annuities have been written for many years.

The nature of the PMC business means that any constraints related to underlying policyholder investments are automatically taken into account in the process of designing new funds or products.

C.1.1.1 Persistency Risk

This is the risk of loss of future profits as a result of unexpectedly high surrenders (net of new business), which exposes the Company to the risk of lower fee income from policyholder assets. A small number of new clients occasionally request that the Company meets transaction costs incurred in transferring schemes from their existing provider. The standard terms under which the Company accepts new business are such that no material new business strain arises.

C.1.1.2 Expense and Income Risks

These risks relate to the impact of potential variation in the amount and/or timing of expenses incurred and in management fees and charges received, relative to the best estimate assumption.

Expense and income risks are managed through regular investigations and monitoring experience and reflecting the conclusions in product design and operating strategies.

The Company's main source of income relates to management fees generated by the value of assets under management.

The amounts of expense incurred and income received also vary in line with the underlying mix of funds chosen by policyholders, in accordance with the various natures of the relevant funds' investment strategies.

C.1.2 Risk Concentration

The Company's business predominantly relates to the investment needs of pension schemes, covering defined benefit and defined contribution arrangements, either directly or via a reinsurance accepted contract where the policyholder is another insurance company.



Some policies are reasonably large in terms of value of assets under management, though the unit-linked nature of the business means there is no resulting significant risk concentration exposure to the Company's solvency position. Approximately 33% of fee revenue during 2025 (2024: 28%) related to reinsurance accepted contracts where the policyholder is another insurer within the L&G Group, Legal and General Assurance Society Limited.

The market is served by a relatively small number of financial advisors, and consequently there is risk concentration such that potentially similar policyholder behaviours may impact the terms the Company is able to offer, in particular where schemes may be related within industry or employment sector.

C.1.3 Risk Mitigation

Policies contain no material options or guarantees, and the Company has wide contractual rights to vary policy terms and conditions, including charges, upon suitable provision of notice to policyholders (typically four months).

Pooled policy terms and conditions also allow the Company to defer policyholder disinvestments if considered appropriate and in the interests of continuing policyholders in circumstances outside the Company's control.

There are no guaranteed surrender values and policyholder payments equal the bid value of units disinvested. The Company's asset-liability matching policy requires assets to be held that are equal to the bid value of policyholder units. As such, there is no deviation between actual and expected payments.

Segregated contracts can be unilaterally terminated by the Company on provision of notice to the relevant client (typically one month).

Pooled contracts contain an embedded annuity option whereby individual scheme members may purchase an annuity at the market rates prevailing at the time of purchase. Any such annuities would be automatically 100% reinsured under an existing reinsurance treaty. The terms of this option are therefore financially immaterial and in practice no such new annuities have been written for many years.

No additional financial guarantees or options, or extension in the standard notice period for changes to policy conditions, are permitted without specific approval by the PMC Executive Committee.

The Asset Management Product Governance Group has responsibility to review pricing strategies and assumptions for new initiatives prior to submission for approval by the Fees Committee.

The Fees Committee has responsibility to approve, review and monitor the appropriateness and transparency of charges, including deviation from standard fee rates.

The nature of the business means that any constraints related to underlying policyholder investments are automatically taken into account in the process of designing new funds or products.

Management controls are in place to manage lapse and expense risk, including regular monitoring of lapse experience, competitor activity, and ongoing cost income ratio, to initiate appropriate management action.

The risks associated with the very small annuity book, which are already immaterial, are further mitigated by a 100% reinsurance arrangement which is in place. As such, there is no residual longevity or other insurance risk in respect of the annuity book.



C.1.4 Risk Sensitivity

A range of firm-wide stress scenarios are considered as part of the annual ORSA exercise. Given the nature of the business, asset and liability stresses are equal and opposite, and the only financial impact on the Solvency II basis arises from consequent fee variation and associated pressure on expenses.

C.1.5 Prudent Person Principle (Underwriting Risks)

The Company's only material line of business is index-linked and unit-linked business whereby the investment risk is borne by the policyholders and the benefits provided are directly linked to the value of assets contained in internal funds divided into units.

The Company holds assets which match the nature and value of the policyholder liabilities, set as the bid value of the units. Accordingly, the assets held are invested in a manner appropriate to the liabilities and in the best interest of all policyholders.

C.2 Market Risk

C.2.1 Market Risk Exposures

The vast majority of assets on the Company's balance sheet are held for unit-linked and index-linked contracts and therefore the nature of the business written is such that investment returns on these assets contribute directly to the value of policyholder units. Assets are invested in line with the fund choices made by the policyholders, and the associated market and counterparty risks are borne by the policyholders.

The Company is exposed to the risk of volatility in asset management fee income due to the impact of movements in interest rates, currency rates and market prices, on the fair value of the assets held in the linked funds, on which fees are based. There is also the risk of expense over-runs should the market depress the level of charges which could reasonably be imposed.

The Company's shareholder investments are primarily held to provide liquidity and capital security, and the assets held are subject to minimal market risk accordingly.

C.2.2 Risk Concentration

The Company provides a wide range of unit-linked funds and, subject to the fund choices made by its policyholders, assets held for unit-linked contracts are diversified in such a way as to avoid excessive reliance on any particular asset, issuer or group of undertakings, or geographical area and excessive accumulation of risk in the portfolio as a whole.

Unit-linked fund investments in assets issued by the same issuer, or by issuers belonging to the same group, do not expose the Company to excessive risk concentration.

A significant proportion of the Company's Own Funds are invested in holdings of UK government securities. However, these are restricted to securities with short remaining duration to maturity and as such are not significantly exposed to market risk.

An increasing proportion of the Company's Own Funds are invested in a Sterling Money Market Fund, managed by LGIM Ltd. The fund is large and well diversified and has an external AAA credit rating.

C.2.3 Risk Mitigation

Market risks are managed through maintaining a diversified range of funds in which customers may invest, including external funds. In addition, the Company has the contractual right to amend pooled fund policy terms on provision of suitable notice to policyholders.



C.2.3.1 Unit-Linked and Index-Linked Contracts

The underlying investments held in respect of unit-linked and index-linked contracts are selected in the best interest of policyholders and beneficiaries, taking into account the disclosed objectives, documentation and expectations for the relevant funds and any liquidity or other contractual constraints.

The market risks relating to each fund are fully communicated to policyholders.

C.2.3.2 Segregated Contracts

For segregated mandates, an Investment Management Agreement (IMA) is in place for each client and details the allowable nature and terms of asset transactions agreed by the relevant client.

There is no asset-liability mismatch risk, other than via the operational risk of the IMA not being suitably adhered to. As such, this risk is covered under the Operational Risk section C.5.

C.2.3.3 Unit-Linked Matching

The Investments section 4 of the PRA Rulebook requires that where policy benefits are directly linked to the value of units or assets contained in an internal fund, technical provisions must be held which are represented as closely as possible by those assets.

PMC's matching philosophy is to hold the appropriate assets within each unit-linked fund to the value which matches the unit-linked liabilities, determined as the bid value of the units.

As such, PMC does not expect to operate a unit box position, and no deliberate mismatches are permitted.

C.2.3.4 Shareholder Assets

The Company's policy is such that shareholder investments are primarily held to provide liquidity and capital security, as distinct from targeting specific investment returns. Accordingly, market risk is kept to a minimum by requiring the shareholder assets to be concentrated towards short-dated, high-quality assets, denominated in Sterling.

C.2.4 Risk Sensitivity

Direct exposure to market risks is borne by policyholders within the relevant unit-linked funds. Under asset stress within unit-linked funds, the Company is exposed only to second order risk of lower fee income from assets under management and an associated pressure on continuing to meet expenses.

Minimal market risk is associated with the Company's directly held investments within Own Funds, which are short-dated, high-quality assets.

C.2.5 Prudent Person Principle (Market Risks)

Investment management services provided to the Company by LGIM Ltd and other Asset Management companies operate under a strict set of controls with regards to the type and amount of assets that are allowed. These controls are exercised through mandates which list the acceptable asset classes and exposure limits.

Derivative instruments are held directly within policyholder unit-linked funds for risk reduction or efficient portfolio management purposes only. Derivatives are also held indirectly, for example within collective investment schemes, for investment purposes as well as efficient portfolio management. However, there is no cross-contamination of derivatives held for investment purposes in collective investment schemes with assets held directly in PMC's long-



term fund and therefore there is no burn through exposure from these indirect derivative contracts to other policyholders invested in PMC's long-term fund.

The Company holds assets for unit-linked contracts which match the nature and value of the policyholder liabilities, set as the bid value of the units. Accordingly, the assets held are invested in a manner appropriate to the liabilities.

The Company invests its capital in short-dated high-quality liquid instruments, such as UK gilts, which are subject to minimal market risk.

C.3 Credit Risk

C.3.1 Material Risk Exposures

Credit risk is the risk that the Company is exposed to loss if another party fails to perform its financial obligations to the Company.

For unit-linked contracts, the Company matches all the liabilities with assets in the portfolio on which the unit prices are based. There is therefore no material interest, price, currency or credit risk for the Company on these contracts. Credit and counterparty risks on unit-linked funds are borne by the policyholders.

The Company is directly exposed to counterparty risk relating to shareholder cash held at banking counterparties or invested in liquidity fund vehicles. This includes the risk of counterparty default for the short period between receipt of monies in respect of client investment into, or disinvestment from, unit-linked funds and the corresponding completion of the processing of those monies into the relevant funds or by settlement to client as applicable. Exposures to banking counterparties are controlled using a framework of counterparty limits. These limits take account of the relative financial strength of each counterparty and are subject to regular review with actual exposures monitored against the agreed limits. The risk is not material given the framework of counterparty controls and limits that operate.

The Company is exposed to the risk of default in respect of payment of fees by clients and the risk of default under the Company's reinsurance arrangements. However, these risks are not considered to be material given the exposure amounts and the risk controls and mitigations that are in place.

The Company holds short-dated UK government securities, sterling liquidity fund and short-term deposits as capital.

C.3.1.1 Reinsurance Counterparty Risk

The Company does not have any material credit risk exposure to third party or internal reinsurers. Information on the nature of the exposures is shown below for completeness.

C.3.1.1.1 Legal & General Group Plc Shares Held via Reinsurance

The pooled fund business offers a wide range of investment fund types. Some funds with a UK equity index component necessarily desire to have an exposure to movements in the Legal & General Group Plc share price. In order that the Company does not itself hold shares in its own ultimate parent company (since a direct holding would breach a Companies Act requirement), the required exposure is obtained via a reinsurance arrangement with Swiss Re Europe S.A. (Swiss Re).

The underlying purpose of the reinsurance is to reduce tracking error on policyholder UK Index funds in order to facilitate closer alignment of policyholder returns to the relevant index economic constituents.



The economic effect of the reinsurance (i.e. on a look-through basis) is that the index funds are exposed to Legal & General Group Plc share price movement, as desired. Although the contractual arrangement is classified as a reinsurance treaty, it does not have the typical features of a risk mitigating contract since the purpose is not to indemnify the Company against losses. The value of the reinsurance treaty (which is directly linked to the assets held in a Swiss Re custody account) is included in the assets held for unit-linked funds and exactly matches the policyholder liability. As such there is no basis risk.

PMC has a floating rate first priority charge on the portfolio of Legal & General Group Plc shares (and any uninvested cash) held by the reinsurer to match this exposure, and these assets are held for the reinsurer in a custody account with LGIM Ltd as asset manager.

In principle, PMC is exposed to the risk of reinsurer default. However, the priority charge on the relevant assets means that, in the event of such default, the value of those assets would be secured for PMC. The reinsurer's credit rating, in conjunction with the operation of the priority charge and the unit-linked nature of the liabilities, is considered to mean immaterial counterparty default risk applies. Further, the custodial relationship for the assets is managed by LGIM Ltd as asset manager and trading instructions are routed via LGIM Ltd, and as a result PMC has good ongoing visibility of the assets charged for its benefit.

C.3.1.1.2 Investment Only Platform

The Company also has in place a number of reinsurance arrangements with external third parties relating to a minor proportion (less than 1%) of the assets held within unit-linked funds. The underlying purpose of the arrangements is not to transfer risk in the conventional reinsurance sense but instead the various arrangements allow expansion of the available range of policyholder investment choice.

Although contractually structured as reinsurance treaties, there is no underlying transfer of risk as the PMC policyholder bears the risk of reinsurer default (which is explicitly written accordingly into each legal contract between the Company and the relevant PMC policyholders) and the Company's exposure is restricted to a second order impact via consequent reduction in fee income and any operational shortcomings. At the current levels, such second order exposure is immaterial.

The nature of the arrangements means that the Company is not directly impacted by the credit standing of each reinsurer. Nevertheless, before each arrangement is entered into, the Company secures a floating charge from the relevant reinsurer to the value of the relevant assets in order to reduce the risk of PMC policyholders being adversely economically impacted by reinsurer default. Approval for these arrangements is governed by the existing product and fund approval framework.

C.3.1.1.3 Annuity Reinsurance

The Company also has a reinsurance arrangement with Legal and General Assurance Society Limited in respect of a very small book of annuities in payment. The gross exposure is financially immaterial to the Company's balance sheet. The reinsurer also provides all administration services for the small number of policies concerned.

C.3.1.2 Banking Counterparty Risk

The Company is exposed to potential financial loss should banks or other issuers of financial instruments default on their obligations to us. We are also exposed to counterparty risks in respect of the providers of settlement and custody services.

Exposures to banking counterparties and the issuers of financial instruments are controlled using a framework of counterparty limits. These limits take account of the relative financial strength of the counterparty as well as other exposures that the Company may have. Limits are subject to regular review with actual exposures monitored against



the set limits. We apply defined criteria for the ongoing monitoring of custody and settlement services and the financial strength of providers is regularly reviewed.

C.3.1.3 Client Counterparty Risk

The fund management fees are either deducted as part of the unit price or paid by policyholders quarterly in arrears. Although there is therefore an exposure to the risk of clients not paying the incurred and invoiced fees in a timely manner, the standard pooled fund policy terms allow the Company to recoup any unpaid amounts directly from the surrender value of units allocated to the relevant client's policy should this prove to be necessary.

A minority of clients occasionally request that the Company allocates fund units in advance of the client providing monies for investment. The Company only agrees to such 'pre-funding' subject to strict limits and controls, and the timeframe involved before receipt of the client monies is typically three to five days. Counterparty risk is not material as the Company holds the assets purchased, and standard policy terms include indemnity rights to recover any losses if purchases are reversed due to non-receipt of the client investment monies.

C.3.2 Risk Concentration

A significant proportion of the Company's capital is invested directly or indirectly in holdings of UK government securities. However, these are restricted to securities with short remaining duration to maturity and, in conjunction with the UK government's credit rating, do not expose the Company to any material credit risk or undue risk concentration.

The agreed limits for placement of overnight deposits with counterparties are set at a level to avoid material risk concentrations.

C.3.3 Risk Mitigation

As described in section B above, investment management services are provided by LGIM Ltd. The investment manager is assigned diversification limits to manage shareholder exposures to external banking counterparties. These limits are subject to established portfolio monitoring and breach reporting processes.

Counterparty risk relates primarily to shareholder deposits and cash balances held with third-party banking institutions. This is monitored to ensure that counterparty placements do not exceed agreed limits and that amounts held in the current accounts are placed with other counterparties each day. The process allows a proportion of cash to be left with the relevant third-party custodian.

As described in section C.3.1.3 above, the Company has the right to effect payment of the relevant outstanding amount should invoiced fees remain unpaid, either by auto-surrender of policy units in accordance with the standard terms and conditions or by deduction from proceeds at the point of policy redemption.

Reinsurance counterparty risks are mitigated by the presence of the floating charges described in section C.3.1.1 above.

C.3.4 Risk Sensitivity

The Company has no material exposure to credit risk.

C.3.5 Prudent Person Principle (Credit Risks)

Investment management services provided to the Company by LGIM Ltd and other Asset Management companies operate under a strict set of controls with regards to the type and amount of assets that are allowed. These controls are exercised through mandates which list the acceptable asset classes and exposure limits.



Assets are properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer or group of undertakings, or geographical area and excessive accumulation of risk in the portfolio as a whole.

Investments in assets issued by the same issuer, or by issuers belonging to the same group, do not expose the Company to excessive risk concentration. The Company has a relatively large proportion of shareholder investments in UK gilts; however, these are considered to be low risk assets.

To ensure protection of assets for unit-linked funds, pooled business invested assets are held by independent custodians, and clients are further protected by the presence of a floating charge over all PMC's assets and a security trustee.

Where clients have chosen to link the value of their policy to a fund provided by an external insurer, the Company secures a floating charge from the relevant insurer to the value of the relevant assets in order to reduce the risk of the clients being impacted by reinsurer default.

For segregated business, the assets are held at the client's custodian.

C.4 Liquidity Risk

C.4.1 Risk Exposure

Liquidity risk is the risk that the Company, though solvent, either does not have sufficient liquid financial resources available to meet its obligations as they fall due or can only secure such liquid financial resources either at an excessive borrowing cost or through a sale of assets at a price significantly below the fair value of such assets in the recent past.

The cash conversion cycle within the Company is such that there is some exposure to corporate working capital strain. For example, fee income is typically collected quarterly in arrears whilst expenses are payable monthly. Liquidity strain could also potentially arise if counterparties fail to settle amounts due in line with contractual obligations or agreed timescales.

The investment risks associated within the unit-linked funds, including liquidity risk, are borne by the policyholders.

C.4.2 Liquidity Risk Management

The Company does not seek direct exposure to liquidity risk as a part of its business model but accepts that exposure to liquidity risk can arise as a consequence of the markets in which it operates, the products that it writes and through the execution of investment management strategies.

Overall, the Company maintains sufficient liquid funds for business-as-usual purposes. Furthermore, it seeks to ensure that exposures to liquidity risk which arise are effectively managed so that the Company continues to meet its obligations under unlikely, but plausible, extreme liquidity scenarios.

Exposure to liquidity risk is measured through the use of a liquidity coverage ratio expressed in terms of the sources of cash or liquid assets and committed facilities that need to be maintained to cover identified stressed liquidity requirements.

In addition to other sources of liquidity, the Company has access to short-term borrowing in the form of an overdraft facility with HSBC.

A credit facility has also been established with Legal & General Finance Plc for the provision of up to £200m for use in the event that the Company does not have sufficient cash on any given business day. This facility is primarily



intended to cover planned short-term spikes in the Company's liquidity requirements and, as such, any loan through this facility will normally be very short term. The loan facility is also available, if required, to provide liquidity in other defined circumstances.

C.4.3 Risk Concentration

The Company's control framework defines procedures, exposure limits and minimum credit quality standards in order that no material liquidity risk concentration exists.

C.4.4 Risk Mitigation

Policyholders who invest in the Company's pooled pension funds do so by way of an insurance policy to which units are allocated in the range of pooled investment funds operated as 'PF Sections'.

The investment risks associated with the unit-linked funds, including liquidity risk, are borne by the policyholders. As part of its existing liquidity risk management, the Company uses daily controls to monitor and manage withdrawal requests.

Where a PF Section could not meet a requested redemption from its prevailing cash and securities in the normal course of trading, the relevant fund manager would work with the trading team on a dealing strategy that raises the required cash sum without material disruption to the PF Section or its remaining policyholders.

Standard redemption terms are communicated with clients and vary according to the dealing frequency of the relevant fund.

No surrender penalties apply upon surrender. However, in addition to the standard redemption terms which apply as described above, the contractual policy terms include further provisions for liquidity management as follows:

- where the surrender of units in an individual PF Section is greater in value than £1m, PMC can give notice to transfer assets in specie
- when market conditions or other external factors impact the realisation of underlying investments, the Company may delay surrender payment by up to one year for all pooled funds, and by a further nine months for real estate funds.

For segregated mandates, investment objectives are agreed with each client at outset and include any liquidity requirements. The Company is not exposed to any liquidity risk in respect of the investments managed under segregated mandates.

Shareholder deposits and cash balances are managed daily through use of a diversified range of counterparties.

C.4.5 Expected Profit in Future Premiums

All in-force business written by the Company is treated for valuation purposes as single premium business. As such the amount of the expected profit from future premiums included on the Solvency II balance sheet is zero.

C.4.6 Prudent Person Principle (Liquidity risks)

Investment management services provided to the Company by LGIM Ltd and other Asset Management companies operate under a strict set of controls with regards to the type and amount of assets that are allowed. These controls are exercised through mandates which list the acceptable asset classes and exposure limits.

The Company's shareholder investments are short-dated, high-quality localised liquid assets. Although no regulatory requirement exists for the segregation of shareholder cash and policyholder cash in transit, PMC has implemented a policy of physically separating them to strengthen policyholder protection and provide greater clarity to underpin the Company's floating charge security structure.



C.5 Operational Risk

C.5.1 Material Risk Exposures

Operational risk is defined as loss arising from inadequate or failed internal processes, people, systems or external events.

The Company operates within a framework of internal controls to minimise the risk of unanticipated loss from operational risk events, whilst recognising that no system of internal control can completely eliminate the risk of error and financial loss. Poor or inefficient business processing can also lead to increased cost as a whole, and operational errors with associated reputational damage and loss of assets.

C.5.2 Risk Concentration

Investment management services are provided by LGIM Ltd. Given the size and nature of the Company's business, the operational systems and processes utilised by LGIM Ltd represent a potential concentration of operational risk for the Company, albeit LGIM Ltd procedures remain subject to the Group's internal control framework.

We have not identified any other material risk concentration for operational risk.

C.5.3 Risk Mitigation

The Company has a well-established and embedded risk governance model that seeks to ensure that business management is accountable and actively engaged in ensuring an appropriate control environment for managing the risks inherent in the business. The Risk function led by the CRO provides both expert advice and guidance on the required control environment, together with objectively challenging the way risks are being managed. The Internal Audit function, which reports findings to the Group Audit Committee and to the PMC Audit Committee, provides further independent assurance on the adequacy and effectiveness of controls.

The Company along with AM Ltd continues to undertake significant investment in system capabilities and business processes to meet the expectations of customers and regulators as well as comply with regulatory, legal and financial reporting requirements, and continues to enhance controls and further mitigate the risks of loss from operational risk events.

A minor portion (approximately 11%) of the Company's invested capital is held in a bespoke Qualifying Investor Alternative Investment Fund managed by LGIM (Ireland) Risk Management Solutions, which comprises mainly UK gilts and can be used from time to time to hedge the potential risks to the PMC balance sheet following the occurrence of specific market-related operational risk errors. This holding is consistent with PMC's risk appetite regarding minimal market risk exposure for shareholder assets.

The financial services sector has seen attempts by third parties to seek and exploit perceived vulnerabilities in IT systems. Potential threats include denial of service attacks, network intrusions to steal data for the furtherance of financial crime, and the electronic diversion of funds. We are focused on maintaining a robust and secure IT environment that protects customer and corporate data and minimises the potential for the perpetration of criminal acts. Processes exist to evaluate the security of systems and proactively address emerging threats.

C.5.4 Risk Sensitivity

A variety of sensitivity tests are undertaken within the calibration of the operational risk capital requirement, including: using alternative distribution shapes for operational risk scenarios; applying different techniques to combine scenarios; and varying correlation assumptions. The sensitivity tests employed have identified no material concerns with the results of the calibration.



The key categories of operational risk are monitored within regular internal reporting and can be used to initiate a reassessment of capital needs to be undertaken if considered appropriate.

C.5.5 Prudent Person Principle (Operational risks)

Investment management services provided to the Company by LGIM Ltd and other Asset Management companies operate under a strict set of controls with regards to the type and amount of assets that are allowed. The investment manager is only permitted to invest on behalf of the Company in assets and instruments whose risks it can properly identify, measure, monitor, manage, control and report.

The relevant investment objectives, guidelines and restrictions, including consideration of the requirements of COBS 21 (permitted links), are documented for each unit-linked fund. The nature of the PMC business means that any constraints related to underlying policyholder investments are automatically taken into account in the process of designing new funds or products.

Granular asset data for all assets held by the Company is included in regular reporting to the PRA.

C.6 Other Material Risks

There is also reputational contagion risk to the Company from events that may arise elsewhere within the L&G Group. Lack of confidence in the Company and the Group is mitigated by the retention within the Company of sufficient capital to avoid the need to rely on parental support in all but the most extreme circumstances and by effective ongoing capital management.

Climate-related financial risks (whether physical risk in respect of environmental events, or transition risk relating to changes in activity or energy developments) are expected to manifest primarily within market, operational, and lapse risks. For example, “greenwashing” product/fund issues are covered within operational risk.

Consideration of climate change impacts is included in PMC assumption setting and risk calibration update processes where relevant. This includes consideration of any excessive accumulation of climate-related financial risk in the asset portfolio. This year, a climate-related risk scenario in the ORSA has been considered and modelled.

A further risk is in regard to claims to recover withholding tax within the unit-linked funds which has been deducted at source. The repayment timings are unpredictable, and settlement can take several years from the point of deduction. It is therefore assumed that amounts will be recovered after 12 months. The uncertainty on the amount or timing of recovery is not expected to have a material impact on the Company’s shareholders however certain timing mismatches combined with changes to tax or foreign exchange rates may impact the Company’s current tax expense in future periods.

The markets in which the Company operates are highly regulated, with regulation and legislation defining the overall framework for the design, marketing and distribution of products; the acceptance and administration of business; and the prudential capital that regulated companies should hold. There continues to be a significant pipeline of globally driven regulatory change, which may affect the cost of providing insurance-based investment products or the way that investment firms do business and including continuing consideration of climate change effects.

The Company has a framework for identifying emerging risks through annual reviews of divisional plan strategy, regular meetings with senior management and other subject matter experts from across the business.

C.7 Any Other Information

The above sections C.1 to C.6 inclusive contain all material information regarding the risk profile of the Company.



C.7.1 Risk Sensitivities

A range of firm-wide stress scenarios are considered as part of the annual ORSA exercise. Given the nature of the business, asset and liability stresses are equal and opposite, and the only financial impact on the Solvency II basis arises from consequent fee variation and associated pressure on expenses.

The contribution, prior to diversification with other risks, towards the Company's Solvency Capital Requirement in respect of extreme (1-in-200 year event) variation in the components of underwriting risk experience is shown in form IR.25.04.21 in the Appendix.

The table below shows the summary of sensitivity testing:

Risk	Description	Solvency II Own Funds as at 31 Dec 2025 (£m)	Solvency II SCR as at 31 Dec 2025 (£m)	Solvency II Regulatory Surplus as at 31 Dec 2025 (£m)	Impact on Solvency II net of tax capital surplus as at 31 Dec 2025 (£m)	Impact on Solvency II coverage ratio as at 31 Dec 2025 (%)
	Solvency II position	662	303	359	-	218
Market Risk	40% fall in equity markets	500	179	320	(38)	61
	25% rise in equity markets	764	373	390	32	(14)
	200bps decrease in risk free rates	678	311	367	9	0
	200bps increase in risk free rates	653	300	353	(6)	(1)
Expense Risk	10% increase in all future expenses	589	230	359	0	38

The sensitivities impact both the Own Funds and Solvency Capital Requirement of the business, often in opposing directions. The impact on the Solvency II capital surplus in the table above is the net effect of the movement in the Own Funds and Solvency Capital Requirement. In modelling the sensitivities, it is assumed that management actions will be taken on variable expenses as appropriate.

D. Valuation for Solvency Purposes

D.1 Assets

A summary of the Company's assets on the Solvency II valuation basis is set out in the following table.

Assets (£m)	2025	2024
Assets (other than those held for linked contracts)	678	673
<i>Bonds</i>	204	225
<i>Collective Investment Undertakings</i>	112	118
<i>Deposits other than cash equivalents</i>	100	118
<i>Cash and cash equivalents</i>	54	63
<i>Reinsurance recoverable</i>	-	-
<i>Insurance and intermediaries receivables</i>	128	70
<i>Other (non-invested) assets</i>	79	78
Assets held for index-linked and unit-linked contracts	356,750	322,667
Total Assets	357,428	323,340

D.1.1 Solvency II Valuation for each Material Class of Asset

The Solvency II Balance Sheet is prepared on a market-consistent basis, whereby assets are accounted for at market value and liabilities are assessed on a best estimate basis.

The Company values its assets in accordance with the Valuation section of the PRA Rulebook. Included within these processes is an assessment of valuation uncertainty and the extent to which asset valuations are appropriate in light of uncertainties that exist. This process focusses on, although is not limited to, assets that are valued using alternative valuation techniques.

There is no material uncertainty in the valuation of assets. A minority (less than 3%) of instruments on the balance sheet are valued using alternative valuation techniques where some inputs are not based on observable market data (unobservable inputs). All such instruments are held within unit-linked funds, and the designated asset value is exactly matched by a policyholder unit liability of identical amount. Further detail on these is provided in section D.4 below.

The Company has concluded that its assets are valued appropriately in accordance with the Valuation section of the PRA Rulebook and appropriately reflect consideration of valuation uncertainty.

There have been no material changes to the asset recognition and valuation bases used during the reporting period.



D.1.1.1 Bonds and Collective Investment Undertakings

These investments are measured at fair value in accordance with IFRS using quoted or otherwise observable market bid prices.

D.1.1.2 Deposits other than Cash Equivalents

These are short-term deposits held with highly rated banks and other financial counterparties, measured as the par amount of the deposit plus any attaching accrued interest.

D.1.1.3 Assets Held for Index-Linked and Unit-Linked Contracts

Assets held for index-linked and unit-linked contracts are measured at the fair value of the underlying assets and liabilities (other than technical provisions) held within such funds.

Unit-linked assets are closely matched to the corresponding liabilities, and the value of policyholder assets held equals the bid value of the policyholder unit liability.

Where available, assets and liabilities within unit-linked funds are valued using quoted market bid prices obtained from independent sources in active markets for the identical assets and liabilities.

Derivative assets are directly held only within policyholder unit-linked funds for efficient portfolio management. When valuing derivatives as part of the unit-pricing mechanism, warrants, futures, swaps and listed options are taken at market value and currency forwards are valued using current exchange rates.

A minority of instruments within unit-linked funds are valued using unobservable inputs. Further detail on these is provided in section D.4 below.

D.1.1.4 Reinsurance recoverable

This asset class is not financially material but is described here for completeness. The value shown in the balance sheet corresponds to the best estimate liability for a very small immediate annuity book which is included within gross technical provisions and is 100% reinsured.

The Company also has in place a number of reinsurance arrangements with external third parties relating to a minor proportion (less than 1%) of the assets held within unit-linked funds. Although contractually structured as reinsurance treaties, the underlying purpose of the arrangements is not to transfer risk in the conventional reinsurance sense but instead the various arrangements allow expansion of the available range of policyholder investment choice and facilitate exposure within certain unit-linked funds to the price of Legal & General Group Plc shares. The value of these reinsured assets is included within the total asset value held for linked contracts.

D.1.1.5 Cash and Cash Equivalents

Cash and cash equivalents are valued in accordance with IFRS. The value primarily relates to cash in hand or held at call with banks.

D.1.1.6 Insurance and Intermediaries Receivables

These are held at fair value in accordance with IFRS. This item primarily relates to invoiced fees due to be received from clients.



D.1.1.7 Other Assets

These are held at fair value in accordance with IFRS. This item primarily relates to fees which have accrued though not yet invoiced to clients.

D.1.2 Material Differences Between IFRS and Solvency II Valuation

There are no material differences in the bases, methods and main assumptions used in the asset valuation for Solvency II purposes compared to the valuation in the IFRS financial statements.

Deferred acquisition costs are an allowable asset on the IFRS balance sheet but are not recognised on the Solvency II balance sheet. The relevant amount on the Company's IFRS balance sheet at 31 December 2025 was £6m (2024: £5m).

There are certain presentational differences which have zero net impact on the balance sheet position.

The main relevant presentational difference is that under Solvency II all assets held for linked contracts are consolidated and reported as a single distinct asset class, whereas in the IFRS financial statements the underlying assets and liabilities within the unit-linked funds are separated out and shown according to the nature of each particular item. For example, in the IFRS financial statements the fair value of derivative liabilities within unit-linked funds is presented as a liability item, whereas the Solvency II treatment presents it as a negative amount within the total value of assets held for linked contracts. As such the total asset value shown in the IFRS financial statements for 31 December 2025 is higher than that shown in the Solvency II balance sheet by £2.4bn, with a correspondingly equal higher value of the associated liabilities.

One further presentational difference is that short-term deposits are included in the IFRS balance sheet within Cash and cash equivalents, whereas for Solvency II these are separated out and shown under Deposits other than cash equivalents.

D.2 Technical Provisions

A summary of the Company's technical provisions as at 31 December 2025, split by the defined Solvency II lines of business and including comparison to the previous year-end position, is set out in the following table.

Solvency II Technical Provisions at 31 December 2025 (£m)	Index-linked and unit-linked insurance	Life Annuities	Total 2025
Best estimate liability (direct business)	206,341	0	206,341
Best estimate liability (reinsurance accepted)	149,892	0	149,892
Risk margin	24	0	24
Total Technical Provisions (gross)	356,258	0	356,258

Solvency II Technical Provisions at 31 December 2024 (£m)	Index-linked and unit-linked insurance	Life Annuities	Total 2024
Best estimate liability (direct business)	195,235	0	195,235
Best estimate liability (reinsurance accepted)	126,860	0	126,860
Risk margin	28	0	28
Total Technical Provisions (gross)	322,123	0	322,123



D.2.1 Solvency II Valuation Basis for Material Lines of Business

For Solvency II, technical provisions are calculated as the sum of a best estimate liability and a risk margin.

Liabilities under the unit-linked contracts are recognised as and when the units are created.

Unit-linked assets are closely matched to the corresponding liabilities, and the value of policyholder assets held equals the bid value of the policyholder unit liability.

D.2.1.1 Methodology

D.2.1.1.1 Best Estimate Liability

The best estimate liability for the unit-linked business is a combination of the bid value of policyholder units and a discounted value of future expected cashflows (i.e. expected fee income less expenses) over a suitable projection period using risk-free rates of return and best estimate experience assumptions.

For valuation purposes, all of the Company's contracts are treated as single premium policies and projected cashflows assume no future premium payments accordingly.

The cash flow projection includes the following components in relation to existing contracts:

- payments to policyholders;
- expenses that will be incurred in servicing existing contractual obligations, including expenses incurred in making payments to policyholders and investment management costs; and
- charges and fees received in respect of continuing existing contracts.

The projection period differs for pooled business and segregated contracts, reflecting their inherently different contractual terms and conditions.

For the segregated business, the assets under management are excluded from the Solvency II balance sheet since these assets remain owned by the relevant third-party client. For the purposes of setting technical provisions under Solvency II rules, for segregated contracts the methodology directly reflects the Company's unilateral right to terminate the provided services upon giving one month's notice. Accordingly, the present value of future projected cashflows on segregated contracts would be calculated using a one month projection period, and applying this as a reduction in balance sheet liabilities. In practice, the value is taken instead to be zero. This proportionate approach gives materially the same overall result on the Solvency II basis.

D.2.1.1.2 Risk Margin

Solvency II regulations require insurers to hold a risk margin as an additional liability within Technical Provisions. The risk margin is designed with the aim of ensuring that the overall value of a firm's Technical Provisions is equivalent to the amount that would be expected to be required if a third party were to take over and meet the insurance obligations of the firm.

The risk margin in relation to the Company's business is relatively small, reflecting the nature of the business which almost entirely consists of unit-linked contracts with no material options or guarantees.



The calculation is based on deriving the present value of the cost of capital required in respect of non-hedgeable risks within the Solvency Capital Requirement over the assumed projected run-off period of the relevant business, with the cost of capital rate set to 4% as prescribed by the UK regulations. The PMC calculation assumes that all risks are non-hedgeable, with the exception of market risk, which is assumed to be hedgeable.

D.2.1.1.3 Matching Adjustment

PMC does not apply a matching adjustment.

D.2.1.1.4 Volatility Adjustment

PMC does not apply a volatility adjustment.

D.2.1.1.5 Transitional Measures

PMC does not apply the transitional risk-free interest rate-term structure.

PMC does not apply the transitional measure on technical provisions.

D.2.1.2 Main Assumptions

The cash flow projection assumptions reflect the relevant contract terms and conditions, and cover expected persistency, expenses and fee income. The assumptions are set by reference to and examination of detailed experience analysis for each item, supplemented by expert judgement where considered appropriate, for example to incorporate any anticipated deviation in emerging experience compared to the underlying historic actual experience or agreed future management actions where considered realistic and objective.

As part of the assumption setting process, any material deviation in emerging experience compared to previous estimate is considered and an appropriate adjustment to the methodology would be made in the event of any identified systematic deviation.

Judgement is applied when considering the accuracy, completeness and appropriateness of available data used to determine best estimate assumptions. Generally, the methodology applied to derive assumptions from the data is well established and the financial impact of any additional expert judgement used to set best estimate assumptions is relatively minor.

D.2.1.2.1 Economic assumptions

The overriding principle followed in setting economic assumptions is that they should reflect the economic conditions at the valuation date.

Risk Free Yield Curve

The valuation interest rate is based on a risk-free yield curve over the projection period. The risk-free rate used is calculated based on methodology specified by the regulator, which is applied to construct zero coupon base rates from the underlying swap rates. Risk-free rate assumptions are based on SONIA (Sterling Overnight Indexed Average).

Unit Growth

For the cash flow projections, an assumption regarding the rate of future growth in the value of funds under management for existing contracts is required. The assumption made is that the growth rate before charges is the same as the risk-free discount rate.



D.2.1.2.2 Non-Economic Assumptions

Expenses

The cash flow projection used to calculate the best estimate liability takes into account all relevant administrative and investment management expense, including allocated overhead expenses. The expected costs are expressed as a combination of an assumed fixed component and a percentage of funds under management for the projection, both subject to expense inflation.

Persistency

Actual persistency experience is reviewed annually. The long-term persistency assumptions are set using underlying lapse experience examining observed experience and trends over a number of years.

Fee Income

Expected fee income is expressed as a percentage of funds under management, based on the most recent actual experience. The best estimate basis includes projected allowance for continuing observed fee trends on the in-force business emanating from competitor action and client behaviour.

D.2.1.3 Material Changes in Assumptions Compared to the Previous Reporting Period

Best estimate assumptions have been reviewed and updated as part of the established annual review of relevant experience.

In aggregate, the PMC technical provisions calculations for 2025 have assumed on average higher lapses, expenses, and fee income compared to the previous assumptions. These combine to reduce the Own Funds.

D.2.2 Level of uncertainty associated with the value of technical provisions

The technical provisions are derived largely from the bid value of units and therefore there is relatively little uncertainty associated with the amount of technical provisions. The key criterion is that the value and nature of policyholder assets held equals the value and nature of the policyholder unit liability.

The components in the technical provisions relating to discounted projected cashflows and risk margin are based on assumptions and therefore inevitably contain some uncertainty in relation to the extent to which future actual experience may differ from the assumptions. However, these components amount to less than 0.2% of the total technical provisions, since the primary component of the technical provisions is the bid value of policyholder units.

A robust assumption setting process is followed in order to ensure the uncertainty is well understood. The assumptions are primarily based on actual experience data with judgement applied to determine their continuing appropriateness.

A framework to assess the confidence in the methodology and assumptions has been established through the Group Audit Committee. The framework allocates a status to the confidence in the assumption and methodology, based on a mixture of qualitative and quantitative criteria. The criteria set out in the framework and the initial assessments have been challenged and validated by experienced actuaries and accountants throughout the business, and details are included in the annual Actuarial Function Report presented to the Board.

D.2.3 Material Differences Between IFRS and Solvency II Valuation

Given the nature of the Company's business, the main difference in the valuations of the unit-linked business under the two reporting standards is the inclusion in the Solvency II valuation of a discounted value of assumed future projected cashflows on in-force business. This is included as a deduction within Solvency II technical provisions.



As described earlier, for the Solvency II valuation insurers are required to hold a risk margin as an addition liability within technical provisions.

For IFRS, technical provisions do not include the value of projected cashflows or risk margin, and instead directly reflect the bid value of units for linked contracts. As such, no projected experience assumptions are required for IFRS purposes. Consequently for IFRS there is no uncertainty or variability created by actual experience differing from assumptions.

The defined Solvency II lines of business are not used for the Company's IFRS reporting.

The following table provides a summary of the valuation differences for the unit-linked business.

Unit-linked business (£m)	2025	2024
IFRS liabilities for unit-linked contracts	356,750	322,667
Difference in liability valuation basis	(517)	(573)
Risk margin	24	28
SII technical provisions	356,258	322,123

D.2.4 Reinsurance Recoverable

The very small book of annuities in payment is 100% reinsured to another insurer within the L&G Group. In addition to the risk mitigation provided by this arrangement, the reinsurer also provides all required administration and valuation services for the relevant contracts. The reinsurance arrangement has no basis risk.

As stated in section D.1.1.4 above, the amount of reinsurance recoverable is not financially material.

Given the nature of the reinsurance contracts, there are no timing differences between recoveries and direct payments that would impact the calculation of amounts recoverable.

D.3 Other Liabilities

A summary of liabilities other than technical provisions on the Solvency II valuation basis is set out in the following table.

Liabilities other than Technical Provisions (£m)	2025	2024
Deferred tax liabilities	122	134
Insurance & intermediaries payables	223	199
Payables (trade, not insurance)	40	68
Any other liabilities, not elsewhere shown	124	108
Total Other Liabilities	508	510

D.3.1 Solvency II Valuation for each Material Class of Other Liabilities

There have been no changes made to the relevant recognition and valuation bases used or on estimations during the reporting period.



D.3.1.1 Deferred Tax Liabilities

At the valuation date, the Company did not have any deferred tax liability on the IFRS basis. An additional net deferred tax liability is held on the Solvency II balance sheet. This reflects assumed tax payable on the present value of the assumed projected future cashflows on the Solvency II basis, adjusted appropriately for the Solvency II balance sheet risk margin and non-recognition of IFRS deferred acquisition costs. The amount of the calculated deferred tax appears directly as a difference between the Solvency II and IFRS balance sheet positions. The tax rate used in the calculation is 25%, which is the actual UK corporation tax rate effective from April 2023.

There are no material unrecognised deferred tax assets.

D.3.1.2 Insurance & Intermediaries Payables

These are recognised and valued in accordance with IFRS. The balance primarily relates to payments in transit to clients, representing the bid value of units disinvested.

D.3.1.3 Any Other Liabilities

These are recognised and valued in accordance with IFRS, and primarily relate to intra-group balances and accrued income tax liabilities.

D.3.2 Material Differences Between IFRS and Solvency II Valuation

Other than the difference described above relating to deferred tax liabilities, there are no material differences in the bases, methods and main assumptions used for the valuation of other liabilities for Solvency II purposes compared to the valuation in the IFRS financial statements.

As described in section D.1.2 above, there are certain presentational differences in the reporting of assets and liabilities for unit-linked contracts, though these differences have zero net impact on the balance sheet position.

D.4 Alternative Methods for Valuation

A minority of instruments are valued using unobservable market inputs. All such instruments are held within unit-linked funds and the designated asset value is exactly matched by a policyholder unit liability of identical amount.

Where quoted market prices are not available, the fair values of financial instruments are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable current market transactions in the same instrument and are not based on observable market data. Illiquid market conditions have resulted in inactive markets for certain of the Company's financial instruments. As a result, there is generally no or limited observable market data for these assets and liabilities. Fair value estimates for financial instruments deemed to be in an illiquid market are based on judgement regarding current economic conditions, liquidity discounts, currency, credit and interest rate risks, loss experience and other factors. These fair values are estimates and involve considerable uncertainty and variability as a result of the inputs selected and may differ significantly from the values that would have been used had a ready market existed. As a result, such calculated fair value estimates may not be realisable in an immediate sale or settlement of the instrument. In addition, changes in the underlying assumptions used in the fair value measurement technique could significantly affect these fair values estimates.

Fair values are subject to a control framework designed to ensure that input variables and outputs are assessed independently of the risk taker. These inputs and outputs are reviewed and approved by a valuation committee.

A summary of the financial instruments valued using unobservable market inputs is set out in the following table. For both 2025 and 2024, the value of such instruments corresponds to less than 3% of total asset values.



Assets valued using alternative techniques (£m)	2025	2024
Unquoted investments in property vehicles	634	616
Property fund income strips	218	234
Private credit loans	1,873	1,099
Suspended securities	1,623	262
Investment property	4,665	3,743
Total (all unit-linked)	9,013	5,954

The valuation of all the above instruments for Solvency II purposes is identical to the valuation in the IFRS financial statements.

D.5 Any Other Information

The above sections D.1 to D.4 inclusive contain all material information regarding the valuation of assets and liabilities for solvency purposes.



E. Capital Management

E.1 Own Funds

E.1.1 Objectives, Policies, and Processes for Managing Own Funds

There have been no material changes to the objectives, policies, and processes employed to manage the Company's own Funds.

The Company aims to manage its capital resources to maintain financial strength and policyholder security. Capital is managed such that the total available Own Funds exceeds a Solvency Capital Requirement (SCR) calculated in accordance with Solvency II regulations.

The SCR is set such that the Company remains solvent following a 1-in-200 year stress event (i.e. a 99.5% confidence level over a one year period). The Company's capital management policy is to hold sufficient Own Funds such that the solvency coverage ratio exceeds 196%. Since PMC does not have a published credit rating from an external credit assessment institution, the coverage ratio influences the level of capital which insurance clients are themselves required to hold in respect of the value of assets they have invested with the Company. A coverage ratio at this level corresponds to the lowest risk of default for the purposes of their capital calculations under the Solvency Capital Requirement Standard Formula section 3E of the PRA Rulebook. This is the same level of default risk assigned for capital calculations under Solvency II for individual entities with a published credit rating of AA or better.

In line with this aim, the implied post-dividend coverage ratio on the Solvency II basis is one of the key metrics considered by the PMC Board when recommending dividend payments to the parent holding company, and in practice dividends are typically set to hold an additional buffer over and above 196%.

The PMC Board, the Asset Management Risk Committee, and the PMC Executive Committee monitor the solvency capital position at least quarterly, enabling any appropriate actions to be identified as and when necessary to ensure compliance with the capital management policy.

Assets held to cover the SCR are localised in the UK or Ireland and are invested directly or indirectly in short-dated Sterling-denominated liquid instruments, such as UK gilts, so as to ensure appropriate security, quality, and liquidity of those assets.

The capital coverage of Own Funds is projected over a five-year planning horizon through the annual ORSA and builds on the overall strategic plan and divisional business plan. Performance against plan is monitored on a regular basis and is used to inform the dividend recommendation.

E.1.2 Structure, Amount, and Quality of Basic Own Funds

All of the Company's Own Funds are unrestricted Tier 1 basic Own Funds and there are no ancillary Own Funds. As such, there are no ineligible Own Funds for the purpose of covering regulatory capital requirements, including both solvency capital requirement and minimum capital requirement. This was also the case at the end of the previous financial reporting period.

The eligible amount of Solvency II Own Funds to cover the capital requirement as at 31 December 2025 was £662m (2024: £707m). This corresponded to a solvency capital coverage ratio of 218% (2024: 210%).



The balance sheet figures are dominated by the value of unit-linked assets and corresponding matching bid value of policyholder unit liabilities, which are equal. Therefore movements in Own Funds are largely driven by the emerging profits from the unit-linked book less the dividend paid and changes in the discounted present value of assumed future cashflows recognised on the Solvency II balance sheet.

None of the Company's Own Funds are subject to transitional arrangements and there are no ancillary items. No deductions are applied to Own Funds and there are no material restrictions affecting their availability or transferability.

E.1.3 Differences Between IFRS Equity and SII Own Funds

The following table shows a high-level reconciliation between the equity as shown in the Company's financial statements and the excess of assets over liabilities as calculated for Solvency II purposes.

Summary reconciliation (£m)	2025	2024
IFRS equity	297	303
Difference in liability valuation basis	517	573
Risk margin	(24)	(28)
Deferred tax	(122)	(135)
Deferred acquisition costs	(6)	(5)
Solvency II Own Funds	662	707

The difference between the amount of Solvency II Own Funds compared with IFRS equity is a result of the additional liability components (additions and deductions) on the balance sheet which are specific to Solvency II and therefore not included in the IFRS liabilities. As at 31 December 2025, these comprise:

- A liability valuation basis difference of £517m, which represents a discounted value of assumed future projected pre-tax cashflows from existing business, as described in section D.2 above. This increases Solvency II Own Funds. In the Solvency II balance sheet, this value is presented as a deduction within the technical provisions rather than as an asset.
- Risk margin of £24m, which reduces Own Funds
- A deferred tax liability of £122m, which reduces Own Funds. This primarily relates to assumed tax on the future projected cashflows.

In aggregate, these differences result in lower Solvency II liabilities by £371m compared with IFRS liabilities and therefore a higher value of Own Funds for Solvency II by the same amount.

In addition, deferred acquisition costs of £6m are an allowable asset on the IFRS balance sheet but are deducted from Own Funds for Solvency II purposes.

E.1.4 Reconciliation Reserve

The Company's Own Funds equal the total value of assets less liabilities under Solvency II and are comprised of a small amount (£0.1m) of paid-in share capital plus a reconciliation reserve. The reconciliation reserve equals IFRS retained earnings plus the Solvency II adjustments as described in section E.1.3 above.



E.1.5 Significant Changes in Own Funds

During the reporting year, the Company declared and paid dividends totalling £98m to its parent company, compared to post-tax operating profits earned over the period of £92m. Whilst the dividend paid exceeded the earned profits for the year, the aggregate movement in Own Funds compared to the previous year-end was not material, as the excess dividend amount was offset by the combined impacts of movement in the market value of unit-linked funds under management, net new business into those funds, and the assumption basis review.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Solvency Capital Requirement (SCR)

The SCR at 31 December 2025 was £303m (2024: £337m), calculated using the internal model approved by the PRA. No capital add-on applies, and no element of the SCR is subject to supervisory assessment.

The following table sets out the movement in SCR over the financial year:

Net SCR movement	£m
SCR as at 31 December 2024	337
Net surplus generation, including market movements	40
Other operating and non-operating variance	(74)
SCR as at 31 December 2025	303

Net surplus generation (including market movements) includes SCR release from the back-book and addition from new business written during the year, together with the impact of changes in investment market conditions and fund mix over the period, and changes to the relevant risk-free rate economic assumptions arising from movement in market conditions.

Other operating and non-operating variance includes the impact of experience variation, changes to valuation and capital calibration assumptions, and changes to planned volumes of new business.

Further information on the SCR by risk categories is provided in the IR.25.04.21 which is included in the Appendix of this report.

E.2.2 Loss-Absorbing Capacity of Deferred Taxes (LACoDT)

The total SCR for the Company has been adjusted for the loss-absorbing capacity of deferred taxes (LACoDT). At 31 December 2025 the amount of the adjustment was £101m (2024: £113m).

LACoDT is a deferred tax benefit, reflecting the tax relief that would be available following a loss equal to the SCR. The tax relief is determined by considering tax payable on any expected future profits, plus any existing deferred tax liabilities.

LACoDT support arises from the deferred tax liabilities included in Solvency II Own Funds, which relate to the differences between the Solvency II Own Funds and IFRS equity as described in section E.1.3 above. As noted in section D.3 above, the Solvency II Own Funds amount as at 31 December 2025 includes a reduction of £122m (2024: £135m) for the deferred tax liabilities.

E.2.3 Minimum Capital Requirement (MCR)

The MCR at 31 December 2025 was £137m (2024: £152m).



The size and nature of the Company's business means that the MCR is defined by the Minimum Capital Requirement section of the PRA Rulebook to be 45% of the calculated SCR and therefore changes to the total SCR lead directly to proportional changes to the MCR.

The change in the amount of the MCR over the year has no material impact on the Company's business or strategy. Further detail of the inputs used to calculate the MCR can be found in the QRT IR.28.01.01 which is included in the Appendix of this report.

E.3 Use of the Duration-Based Equity Risk Sub-Module in the Calculation of the SCR

The duration-based equity risk sub-module is not used in the calculation of the Company's SCR.

E.4 Differences Between the Standard Formula and any Internal Model Used

E.4.1 Internal Model

The Company uses the L&G Group Internal Model to calculate its capital requirements. The model, and the Company's use of it at entity level, has received the required regulatory approvals.

E.4.1.1 Use of the Internal Model

The Internal Model plays a central role in the measurement of risks, as the model translates identified risk exposures into risk-based capital requirements.

The output from the Internal Model is a key component of various activities as follows:

- Risk management, including experience monitoring of key risks using the internal model risk distribution for the relevant risk and the associated impact on SCR.
- Capital management, for example to monitor performance against the target capital coverage ratio.
- Business planning. For example, the projected business plan over the next five years includes corresponding projections of the capital requirement using the internal model SCR output. The model output is also used to inform dividend decisions and expectations over the projected period.
- Public reporting and disclosure, such as this Solvency and Financial Condition Report.
- Supervisory reporting under the Solvency II regime.

Effective management information using the Internal Model output informs and supports decision-making and risk assessment responsibilities.

E.4.1.2 Scope of the Internal Model

In order that the Internal Model is a good fit to the business, the modelling approach reflects the nature, scale and complexity of the risks inherent in those business activities. The Internal Model covers all of the Company's material and quantifiable risk exposures.

The Internal Model provides a full probability distribution of capital outcomes for each material risk type within each category.

The model covers existing business and one year's expected new business.

Given the nature of the Company's business, there is no need to define more granular level business units within the model, as PMC is a mono-line company (i.e. operating in one specific financial area) focusing on the fund administration and management of unit-linked pension policies.



E.4.1.3 Methods used in the Internal Model

PMC determines best estimate assumptions for future lapses, expenses and income. Experience investigations are conducted at least annually in order to ensure that the best estimate assumptions are compared to, and reflect where appropriate, the underlying actual experience.

The Solvency II liability value is calculated using a model which projects cash flows from the existing funds under management, allowing for the best estimate lapses, expenses and income. The resulting projected cashflows are discounted using the risk-free discount rate to give the present value of the assumed future expected cashflows arising from the existing business on the Solvency II liability valuation basis.

A probability distribution is determined for each relevant risk, with an associated correlation structure. Together, these specify possible outcomes over one year and the probability of those outcomes occurring.

The cashflow projection model is initially run on 5,000 scenarios drawn from the risk distributions, in conjunction with a formula fit algorithm, in order to derive an appropriate formula to represent the discounted cashflow value on the Solvency II basis.

The derived formula is then loaded into the Internal Model's primary calculation engine which runs 500,000 scenarios randomly sampled across all risk drivers. The simulations are constructed in such a way that each risk driver follows a predefined distribution and that the relationship between any two risk drivers follows a predefined correlation assumption. The simulations can be looked at as a sample generated from a multidimensional distribution. The multidimensional distribution is built from the risk driver distributions and a copula function which represents the dependency structure between the risks. The results of these runs are then ranked in order to determine the solvency capital requirement at the biting scenario corresponding to a 99.5th percentile. Final capital requirements are determined using a smoothing process, whereby rather than taking the 99.5th percentile capital requirement as the exact 2,500th worst outcome out of 500,000 scenarios, a weighted average of a number of simulations around the 99.5th percentile is used, incorporating scenario outcomes immediately above the 99.5th percentile point and immediately below it.

Since the impact of market risks on PMC is second order only, stresses on policyholder funds are typically derived using summarised or proxy data rather than the actual individual asset data. For example, a model point group may be assessed with representative summary bond and equity assets such as a 40% bond / 60% equity portfolio.

For shareholder assets, each asset is considered individually using its specific relevant data or, for a minor amount held in collective investment undertakings, its specific target underlying asset allocation.

E.4.2 Main Differences Compared to the Standard Formula Approach

In line with the Solvency Capital Requirement - General Provisions (3.4) section of the PRA Rulebook, the SCR calculated using the Internal Model corresponds to the value-at-risk of the Company's basic Own Funds subject to a confidence level of 99.5% over a one-year period. This calibration standard is the same as for the Standard Formula. However, the detailed calculations differ in their sophistication and the extent to which they have been tailored to the Company's own risk profile.

Standard Formula is not the Company's regulatory basis for calculating its SCR. The Internal Model has received the appropriate regulatory approval.

The main differences are as follows:



- **Life expenses and income risks** – The Internal Model includes an additional risk (which is not covered by the Standard Formula) in respect of variation in projected fee income compared to best estimate expectations. In addition, expense risk within the Internal Model is calibrated higher (i.e. more severe) than the Standard Formula.
- **Life lapse risk** – The Internal Model allows for potential variation in lapse experience to occur from both regular and mass lapses concurrently, whereas the Standard Formula takes the higher of the two stress results. In the Internal Model, the lapse risk stress is calibrated lower than the Standard Formula stress, reflecting the scale and nature of the Company's business.
- **Operational risk** – The Internal Model takes the 99.5th percentile of a combined loss distribution for operational risk losses over one year. The Standard Formula adopts a factor-based approach.
- **Aggregation and diversification** - The Internal Model aggregates the risks using a Monte Carlo simulation approach and a t-copula. The diversification approach implicit in the Standard Formula is based upon correlations at a single stress point using a sum of squares approach.
- **Counterparty default risk** – Where the Company utilises reinsurance arrangements to expand the range of investment fund choices available to its policyholders, the Internal Model allows more appropriately for the fact that the underlying counterparty risk is borne by the policyholders invested in the relevant unit-linked fund and not by the Company. The Standard Formula overstates the risk to the Company relating to reinsurance of unit-linked fund assets.
- **Market risk** – Group-wide calibrations for market risk are used by the Internal Model and these differ from the corresponding Standard Formula calibrations. However, given the unit-linked nature of the Company's business, market risks are primarily borne by policyholders.

E.4.3 Internal Model Data

In order to calculate the Solvency Capital Requirement, the Internal Model is provided with data about the Company's assets, liabilities and the risks associated with each of these.

In order to assess the relevant risks a wide range of economic, market and insurance data and operational risk experience is used. Material risks are primarily assessed using internal historical experience and any relevant external data and forecasts. In the calibration of mass lapse risk and of operational risk, since actual data of relevant extreme events is very scarce, the available data is supplemented by the judgement of experts with relevant knowledge, experience and understanding of the risks inherent in the business.

Data are used to assess:

- the likelihood and scale of individual risks; and
- how these risks are correlated, i.e. the extent to which a change in one risk is likely to coincide with change in another risk.

The Group's Solvency II data governance framework has been designed to instil best practice in managing data risk and in improving data quality to add robustness to model processes and outputs. The Solvency II Data Management Policy sets out the Group's requirements for managing data risk on data used to develop, populate, operate and validate the Internal Model. The data management control framework provides the conditions for business areas to ensure that all Internal Model data are recorded and that associated data risks and quality are managed effectively. The framework includes regular assessments of data quality and controls effectiveness.



The appropriateness of all internal and external data is considered and justified by the experts in each area of risk, and these justifications are independently validated.

E.5 Non-Compliance with the MCR and Non-Compliance with the SCR

There have been no instances of non-compliance with the MCR or SCR at any time over the reporting period. The Company has held capital exceeding regulatory requirements throughout the reporting period and continues so to do.

E.6 Any Other Information

All material information regarding the capital management of the Company has been covered in the above sections E.1 to E.5 inclusive.

Appendix – Quantitative Reporting Templates (QRTs)

All values in these templates are shown in £'000s.

IR.02.01.02 Balance Sheet

	Solvency II value
	C0010
Assets	
Goodwill	R0010
Deferred acquisition costs	R0020
Intangible assets	R0030
Deferred tax assets	R0040
Pension benefit surplus	R0050
Property, plant & equipment held for own use	R0060
Investments (other than assets held for index-linked and unit-linked contracts)	R0070
Property (other than for own use)	R0080
Holdings in related undertakings, including participations	R0090
Equities	R0100
Equities - listed	R0110
Equities - unlisted	R0120
Bonds	R0130
Government Bonds	R0140
Corporate Bonds	R0150
Structured notes	R0160
Collateralised securities	R0170
Collective Investments Undertakings	R0180
Derivatives	R0190
Deposits other than cash equivalents	R0200
Other investments	R0210
Assets held for index-linked and unit-linked contracts	R0220
Loans and mortgages	R0230
Loans on policies	R0240
Loans and mortgages to individuals	R0250
Other loans and mortgages	R0260
Reinsurance recoverables from:	R0270
Non-life and health similar to non-life	R0280
Life and health similar to life, excluding health and index-linked and unit-linked	R0315
Life index-linked and unit-linked	R0340
Deposits to cedants	R0350
Insurance and intermediaries receivables	R0360
Reinsurance receivables	R0370
Receivables (trade, not insurance)	R0380
Own shares (held directly)	R0390
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400
Cash and cash equivalents	R0410
Any other assets, not elsewhere shown	R0420
Total assets	R0500



	Solvency II value	
	C0010	
Liabilities		
Technical provisions – total	R0505	356,257,793
Technical provisions – non-life	R0510	
Technical provisions – life	R0515	356,257,793
Best Estimate - total	R0542	356,233,451
Best estimate – non-life	R0544	
Best estimate – life	R0546	356,233,451
Risk margin - total	R0552	24,342
Risk margin - non-life	R0554	
Risk margin - life	R0556	24,342
Transitional (TMTP) - life	R0565	0
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	121,658
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	223,384
Reinsurance payables	R0830	
Payables (trade, not insurance)	R0840	39,659
Subordinated liabilities	R0850	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	123,691
Total liabilities	R0900	356,766,186
Excess of assets over liabilities	R1000	662,000



IR.05.02.01 Premiums, Claims and Expenses by Country

		Home Country	Ireland (by amount of gross premiums written) - life obligations	Total Top 5 and home country
		C0220	C0230	C0280
Premiums written				
Gross	R1410	39,753,511	313,619	40,067,130
Reinsurers' share	R1420			0
Net	R1500	39,753,511	313,619	40,067,130
Premiums earned				
Gross	R1510	39,753,511	313,619	40,067,130
Reinsurers' share	R1520	0	0	0
Net	R1600	39,753,511	313,619	40,067,130
Claims incurred				
Gross	R1610	44,494,470	636,553	45,131,023
Reinsurers' share	R1620	63		63
Net	R1700	44,494,406	636,553	45,130,959
Net expenses incurred	R1900	310,336	4,206	314,542

IR.05.03.02 Premiums, Claims and Expenses by Line Of Business

		Insurance with profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
Premiums written								
Gross direct business	R0010		18,552,173					18,552,173
Gross reinsurance accepted	R0020		21,514,957					21,514,957
Gross	R0030		40,067,130					40,067,130
Reinsurers' share	R0040		0					0
Net	R0050		40,067,130					40,067,130
Claims incurred								
Gross direct business	R0110		28,682,162	63				28,682,226
Gross reinsurance accepted	R0120		16,448,797					16,448,797
Gross	R0130		45,130,959	63				45,131,023
Reinsurers' share	R0140		0	63				63
Net	R0150		45,130,959	0				45,130,959
Expenses incurred								
Gross direct business	R0160		181,967					181,967
Gross reinsurance accepted	R0170		132,574					132,574
Gross	R0180		314,542					314,542
Reinsurers' share	R0190							0
Net	R0200		314,542					314,542
Other expenses	R0300							48,838
Transfers and dividends								
Dividends paid	R0440							98,000



IR.12.01.02 Life and Health SLT Technical Provisions

	Insurance with profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health Insurance	Total life and health
	C0010	C0020	C0030	C0040	C0050	C0060	C0070
Best Estimate							
Gross Best Estimate (direct business)		206,340,797	267				206,341,063
Gross Best Estimate (reinsurance accepted)		149,892,388					149,892,388
Gross Best Estimate		356,233,185	267				356,233,451
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default			267				267
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total		356,233,185	0				356,233,185
Risk Margin		24,342					24,342
Amount of the transitional on Technical Provisions							
TMTP - risk margin							
TMTP - best estimate dynamic component							
TMTP - best estimate static component							
TMTP - amortisation adjustment							
Transitional Measure on Technical Provisions							
Technical provisions - total		356,257,526	267				356,257,793



IR.23.01.01 Own Funds

Basic own funds

Ordinary share capital (gross of own shares)
Share premium account related to ordinary share capital
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings
Subordinated mutual member accounts
Surplus funds
Preference shares
Share premium account related to preference shares
Reconciliation reserve
Subordinated liabilities
An amount equal to the value of net deferred tax assets
Other own fund items approved by the supervisory authority as basic own funds not specified above

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Total basic own funds

Ancillary own funds

Unpaid and uncalled ordinary share capital callable on demand
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
Unpaid and uncalled preference shares callable on demand

A legally binding commitment to subscribe and pay for subordinated liabilities on demand

Letters of credit and guarantees
Letters of credit and guarantees other
Supplementary members calls
Supplementary members calls - other
Other ancillary own funds

Total ancillary own funds

Available and eligible own funds

Total available own funds to meet the SCR
Total available own funds to meet the MCR
Total eligible own funds to meet the SCR
Total eligible own funds to meet the MCR

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

Reconciliation reserve

Excess of assets over liabilities
Own shares (held directly and indirectly)
Foreseeable dividends, distributions and charges
Deductions for participations in financial and credit institutions
Other basic own fund items
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
Reconciliation reserve

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	100	100			
R0030					
R0040					
R0050					
R0070					
R0090					
R0110					
R0130	661,900	661,900			
R0140					
R0160					
R0180					
R0220					
R0290	662,000	662,000			
R0300					
R0310					
R0320					
R0330					
R0340					
R0350					
R0360					
R0370					
R0390					
R0400					
R0500	662,000	662,000			
R0510	662,000	662,000			
R0540	662,000	662,000			
R0550	662,000	662,000			
R0580	303,400				
R0600	136,530				
R0620	218.19%				
R0640	484.88%				
	C0060				
R0700	662,000				
R0710					
R0720	0				
R0725	0				
R0730	100				
R0740					
R0760	661,900				

IR.25.04.21 Solvency Capital Requirement

		C0100
Market risk	R0140	249,500
Interest rate risk	R0070	26,300
Equity risk	R0080	226,000
Property risk	R0090	19,900
Spread risk	R0100	12,000
Concentration risk	R0110	0
Currency risk	R0120	0
Other market risk	R0125	-700
Diversification within market risk	R0130	-34,000
Counterparty default risk	R0180	1,400
Type 1 exposures	R0150	1,400
Type 2 exposures	R0160	0
Other counterparty risk	R0165	0
Diversification within counterparty default risk	R0170	0
Life underwriting risk	R0270	416,400
Mortality risk	R0190	0
Longevity risk	R0200	0
Disability-Morbidity risk	R0210	0
Life-expense risk	R0220	299,400
Revision risk	R0230	0
Lapse risk	R0240	410,200
Life catastrophe risk	R0250	0
Other life underwriting risk	R0255	211,200
Diversification within life underwriting risk	R0260	-504,400
Health underwriting risk	R0320	
Health SLT risk	R0280	
Health non SLT risk	R0290	
Health catastrophe risk	R0300	
Other health underwriting risk	R0305	
Diversification within health underwriting risk	R0310	
Non-life underwriting risk	R0370	
Non-life premium and reserve risk (ex catastrophe risk)	R0330	
Non-life catastrophe risk	R0340	
Lapse risk	R0350	
Other non-life underwriting risk	R0355	
Diversification within non-life underwriting risk	R0360	
Intangible asset risk	R0400	
Operational and other risks	R0430	143,300
Operational risk	R0422	143,300
Other risks	R0424	0
Total before all diversification	R0432	1,349,000
Total before diversification between risk modules	R0434	810,600
Diversification between risk modules	R0436	-309,400
Total after diversification	R0438	501,200
Loss absorbing capacity of technical provisions	R0440	0
Loss absorbing capacity of deferred tax	R0450	-101,100
Other adjustments	R0455	-96,700
Solvency capital requirement including undisclosed capital add-on	R0460	303,400
Disclosed capital add-on - excluding residual model limitation	R0472	0
Disclosed capital add-on - residual model limitation	R0474	0
Solvency capital requirement including capital add-on	R0480	303,400
Biting interest rate scenario	R0490	Increase
Biting life lapse scenario	R0495	



IR.28.01.01 Minimum Capital Requirement

MCR _L Result	C0040
	R0200 2,493,632

Obligations with profit participation - guaranteed benefits
Obligations with profit participation - future discretionary benefits
Index-linked and unit-linked insurance obligations
Other life (re)insurance and health (re)insurance obligations
Total capital at risk for all life (re)insurance obligations

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
	C0050	C0060
R0210		
R0220		
R0230	356,233,185	
R0240	0	
R0250		

Overall MCR calculation

	C0070
Linear MCR	R0300 2,493,632
SCR	R0310 303,400
MCR cap	R0320 136,530
MCR floor	R0330 75,850
Combined MCR	R0340 136,530
Absolute floor of the MCR	R0350 3,500
	C0070
Minimum Capital Requirement	R0400 136,530

Note: The defined Linear MCR formula does not provide a meaningful figure given the nature of the PMC business.