M&G plc

Group Solvency and Financial Condition Report

31 December 2020

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Rounding convention

The information in the main body of the SFCR is presented in pound sterling and rounded to the nearest million, in line with the IFRS consolidated financial statements. The information in the quantitative reporting templates ("QRTs") contained as an appendix to this document are presented rounded to the nearest thousand pound sterling. Therefore, in the main body of the report, rounding differences of +/- one million can occur.

Summary

Purpose

The purpose of the Solvency and Financial Condition Report ("SFCR") is to provide information required by the Solvency II regulatory framework in respect of M&G plc ("the Company") and its subsidiaries (collectively "the Group") as at 31 December 2020. This report sets out aspects of the Group's business and performance, system of governance, risk profile, valuation for solvency purposes and capital management.

This report has been prepared in compliance with the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009|138|EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) ("Delegated Regulation"), as amended from time to time, and also the relevant Prudential Regulation Authority ("PRA") rules. The structure of this report follows the structure set out in Annex XX and discloses the information referred to in Articles 292 to 298 of the Delegated Regulation. This report also contains narrative information in quantitative and qualitative form supplemented, where appropriate, with quantitative templates.

Readers will be aware that the Solvency II regime was adopted into the UK legislative and regulatory framework on 1 January 2016, while the UK was still a Member State of the European Union ("EU"). This report has been prepared in accordance with Solvency II as enacted under UK legislation in 2016 and as subsequently amended from time to time. Now that the UK has left the EU, and a new trade deal has been agreed, the UK is awaiting a declaration from the EU that its adoption of the Solvency II regime into UK law is equivalent to current EU requirements. Added to this, HM Treasury and the PRA have been consulting widely on potential reforms to Solvency II, and this process is ongoing. For our UK businesses, guidance from the PRA, as our Group's regulator, will be followed as it becomes available.

Group background

The Group was formerly the UK and European savings and investments business of Prudential plc. Following demerger from Prudential plc, M&G plc was separately listed on the London Stock Exchange on 21 October 2019.

The Group is a savings and investments business. It serves over 5.3 million retail customers, who want to build and protect their life savings, and provides investment solutions to more than 800 institutional clients. The Group's innovative customer solutions are supported by its extensive investment capabilities, an international distribution network and five customer brands: Prudential, M&G Investments, M&G Real Estate, M&G Wealth and Infracapital. The Group operates internationally and distributes its products across 28 markets. In the UK and continental Europe, the Group provides a range of long-term savings and investment solutions, including PruFund. In the Americas, Africa, Asia, and Australia, the Group provides Asset Management solutions. As at 31 December 2020, the Group's Assets under Management and Administration ("AUMA") was £367.2bn (2019: £351.5bn).

The Group operates across two operating segments: Savings and Asset Management and Heritage. The Savings and Asset Management segment, with £232.3bn AUMA as at 31 December 2020 (2019: £215.9bn), comprises the Group's Retail Savings business (including PruFund), Asset Management business (Retail and Institutional) and its platform business. The Heritage segment, with £133.7bn AUMA as at 31 December 2020 (2019: £134.0bn), comprises the Group's traditional with-profits business as well as its annuities and corporate pensions businesses. In addition there are £1.2bn of corporate assets as at 31 December 2020 (2019: £1.6bn).

The Group is comprised of two main subsidiaries, which own the majority of the Group's regulated entities: The Prudential Assurance Company Limited ("PAC"), an insurance company providing life and savings products to retail customers and M&G Group Limited ("M&G Investments"), an asset manager, described in more detail below.

PAC

PAC was founded in the United Kingdom in 1848, and is a provider of savings and retirement income products. PAC's greatest strength comes from providing investments that help its customers meet their long-term goals, whilst also protecting them against short-term market fluctuations.

PAC's long-term products consist of life insurance, pension products and pension annuities. In common with other UK long-term insurance companies, PAC's products are structured as either with-profits participating products, or non-participating products including annuities in payment and unit-linked products. Depending on the structure, the level of shareholders' interest in the value of policies and the related profit or loss varies.

PAC's core strengths in with-profits and financial products for retirement use are underpinned by expertise in areas such as understanding life expectancy, managing investment risk and a range of investment assets.

PAC has three ring-fenced with-profits sub-funds which are collectively referred to as the With-Profits Fund. The With-Profits Sub-Fund ("WPSF") is the most significant of these sub-funds where most of the business is written and, for most contracts, profit is attributed in a 90:10 ratio between with-profits policyholders and shareholders.

The With-Profits Fund is the largest of its kind in the UK. It is invested across a broad range of assets and aims to provide steady returns to customers. PAC uses a bonus process to smooth some of the highs and lows of investment performance.

All profit on business written outside of the With-Profits Fund, including that written by PAC's subsidiary insurance undertakings Prudential Pensions Limited ("PPL") and Prudential International Assurance plc ("PIA"), are attributable to shareholders.

M&G Investments

M&G Investments was established in 1931 when it launched the first unit trust in the UK, the First British Fixed Trust. Since then, it has pioneered many UK investment firsts, including the M&G Thrift Plan in 1954, which allowed savers to make monthly contributions for the first time. An independent company with a stock market listing for most of its history, M&G Investments was acquired by Prudential plc in 1999.

M&G Investments provides asset management services to retail customers and institutional clients, and manages the majority of the Group's assets. It specialises in active solutions with an opportunity to add significant value, with strengths in the less commoditised segments of the asset management market.

The Group's retail customers have access to a broad range of actively managed investment products, including Equities, Fixed Income, Multi-Asset and Real Estate. The Group serves these customers through its many business-to-business relationships both in the UK and overseas, which include independent financial advisers, high-street banks and wealth managers. The Group's institutional investors include pension funds, insurance companies and banks from around the world, who invest through segregated mandates and pooled funds into a diverse range of Fixed Income and Real Estate investment products and services.

Summary (continued)

Business and performance

In September 2020, the Group acquired the Ascentric adviser business from insurer Royal London (see Section A.1.4.5), accelerating the expansion into the fast growing market for UK wealth management services. In the autumn, the Group formally combined Ascentric with our two restricted advisory arms, Prudential Financial Planning and The Advice Partnership, as well as the reinvigorated M&G direct funds unit. Together, they form M&G Wealth.

Performance of businesses

In 2020, the Group delivered a strong financial performance against the extremely challenging backdrop of the COVID-19 pandemic, benefiting from diversified earnings resulting from the combination of being an asset manager and an asset owner. Total performance is measured using International Financial Reporting Standards ("IFRS") profit before tax. Underwriting performance is measured using adjusted operating profit before tax, the Group's non-GAAP alternative performance measure, as this is less affected by short-term market volatility and non-recurring items than IFRS profit before tax. The main adjusting item between adjusted operating profit before tax and IFRS profit before tax is short-term fluctuations in investment returns, which the Group uses as its measure of investment performance.

For the year ended 31 December 2020, adjusted operating profit before tax was £788m (2019: £1,149m). The 2020 results include the first full year of listed infrastructure costs, with £167m of finance costs in relation to the subordinated debt, £101m of head office costs and £15m foreign exchange gain in respect of the US dollar subordinated debt. The 2019 result benefited from changes made to the staff pension schemes of £64m which were not repeated in 2020. Fee-based revenues fell from £1,287m to £1,220m as a result of net client outflows in Retail Asset Management during the year, particularly in the international wholesale channel, and industry-wide pressure on margins.

IFRS profit before tax from continuing operations was £1,397m (2019: £1,305m) and reflects adjusted operating profit before tax, and profit or loss before tax from adjusting items.

Further information on adjusted operating profit before tax and IFRS profit before tax is provided in Section A.2. A full description of the Group's Key Performance Measures ("KPMs") and further commentary on these results is contained within the Business and Financial Review and Supplementary Information in the M&G plc 2020 Annual Report and Accounts.

Other significant events relating to the Group's business and performance during the reporting period include the distribution of excess surplus from the Group's With-Profits Fund; a successful appeal of the High Court's decision not to sanction the Part VII transfer of annuities currently reinsured to Rothesay Life; and the development of new propositions related to sustainability. The Group also paid dividends totalling £562m to its shareholders. Further detail on the impact of these events is included in Section A.1.4 and throughout this document.

System of governance

The M&G plc Board is collectively responsible for the long-term success of the Group and for providing leadership within a framework of effective controls. The control environment enables the Board to identify significant risks and apply appropriate measures to manage and mitigate them.

The Group's governance structures have been designed to ensure they suit the needs of the Group and its stakeholders.

The Board and its Committees operate under approved terms of reference that are reviewed at least annually and last took place in December 2020. The Board also undertakes an annual review of its performance and effectiveness that was last carried out in November and December 2020. The Board was found to be operating effectively within this review.

During 2020 the Group transitioned from its pre-demerger control environment to one that is effective under its own Integrated Control Framework ("ICF"). The ICF is a single enterprise-wide control framework. Further information on the Group's system of governance including information on the composition of its Board, key functions, risk management and internal control system is provided in Section B.

Risk profile

The Group generates value for shareholders by selectively taking exposure to risks that are adequately rewarded and that can be appropriately quantified and managed. The Group retains risks within a clearly defined risk appetite, which contributes to value creation and provides the ability to withstand the impact of an adverse stressed outcome.

The Group defines 'risk' as the uncertainty that it faces in successfully implementing its strategies and objectives. This includes all internal or external events, acts or omissions that have the potential to threaten the success of the Group. As such, material risks will be retained selectively if there is value in doing so, and where it is consistent with the Group's risk appetite and philosophy towards risk-taking.

For retained risks, the Group ensures that it has the necessary capabilities, expertise, processes and controls to appropriately manage the exposure.

The impacts of COVID-19 have permeated throughout the Group's entire risk spectrum. While the Group's main risks remain broadly unchanged, current risk management priorities have been re-focused around operational, people, financial and investment performance risks in particular.

Sustainability risks, including climate risks, have increased in prominence during 2020. These are identified, assessed and managed under the Risk Management Framework. An M&G plc ESG Risk Management Framework is being launched in 2021, with the aim of providing additional focus on the risk management activities required for ESG and climate change initiatives.

Further information on the main risks inherent in the business, how these risks are managed, and details of how the Group maintains an appropriate risk profile are provided in Section C. Risks covered include underwriting risk, market risk, credit risk, liquidity risk, operational risk, business environment and market forces risk, sustainability, investment performance and risk, people risk, regulatory compliance and reputational risk. Sensitivity analysis of the Group's Solvency II coverage ratio to various stresses is provided in Section C.7.2.

Summary (continued)

Valuation for solvency purposes

For the purposes of Solvency II reporting, the Group applies the Solvency II valuation rules to value the assets and liabilities of the Group:

(i) Technical provisions are held in respect of liabilities to policyholders. As a general principle, technical provisions under Solvency II are valued at the amount for which they could theoretically be transferred immediately to a third party in an arm's length transaction. The technical provisions consist of a best estimate liability ("BEL") and the risk margin, reduced by transitional measures on technical provisions ("TMTP") where relevant.

(ii) Assets and liabilities other than technical provisions are valued under Solvency II at the amount for which they could be exchanged between knowledgeable and willing parties in arm's length transactions. Assets and liabilities other than technical provisions are valued separately using methods that are consistent with this principle in accordance with the valuation approaches set out in the Solvency II Directive.

The own funds and capital requirements for a number of the Group's non-insurance related undertakings carrying out financial activities, the most significant of which are M&G Group Limited, Investment Funds Direct Limited (the main operating entity of the Ascentric platform business) and Prudential Capital Public Limited Company (the Group's treasury function), are included using sectoral rules (if regulated) or notional sectoral rules (if non-regulated).

As at 31 December 2020 the Group's excess of assets over liabilities on a Solvency II basis was £18.8bn (2019: £18.8bn), which is £13.2bn (2019: £13.6bn) higher than IFRS shareholders' equity. There are a number of valuation differences with the most significant being the treatment of unallocated surplus of the With-Profits Fund, which was £15.6bn as at 31 December 2020 (2019: £16.1bn), which is treated as a liability under IFRS but recognised as surplus assets in the Solvency II balance sheet.

There have been material changes to the Group's best estimate assumptions during the reporting period, particularly in relation to longevity assumptions. Further detail is provided in Section D.2.

Further information on the valuation of assets, technical provisions and other liabilities of the Group for solvency purposes is provided in Section D, including a discussion of the differences between Solvency II and the IFRS valuation bases.

Capital management

The Group manages its Solvency II own funds as its measure of capital. It manages its Solvency II capital to ensure that sufficient own funds are available on an ongoing basis to meet regulatory capital requirements, at both the Group level and for each of its regulated undertakings.

The own funds eligible to cover the consolidated group solvency capital requirements ("Group SCR") and minimum group solvency capital requirements ("Group MCR") are shown in the table below, sub-split by tiering reflecting their quality. There are limits on the amount of own funds in different tiers that can be used to demonstrate solvency. Further details including restrictions on the type of own funds eligible to cover these requirements is contained in Section E.1.

Figure 1: Eligible own funds to cover the Group MCR and Group SCR

As at 31 December			Total £m	Tier 1 - unrestricted £m	Tier 1 - restricted £m	Tier 2 £m	Tier 3 £m
2020	**Eligible own funds to cover the Group MCR**		**11,148**	**10,634**	**—**	**514**	**—**
	Eligible own funds to cover the Group SCR	**Excluding OFS[1]**	**14,684**	**10,634**	**—**	**3,969**	**80**
		Including OFS	**15,631**	**11,582**	**—**	**3,969**	**80**
2019	Eligible own funds to cover the Group MCR		10,774	10,273	—	500	—
	Eligible own funds to cover the Group SCR	Excluding OFS[1]	14,036	10,273	—	3,762	1
		Including OFS	14,889	11,126	—	3,762	1

[1] Other financial sector ("OFS") undertakings primarily include M&G Group Limited, Prudential Capital Public Limited Company and Investment Funds Direct Limited that are included in the Group own funds using their sectoral or notional sectoral rules.

The Group has been granted approval by the PRA to calculate its SCR based on its Internal Model, which reflects the key risks the Group is exposed to, the most significant of which are market risk (primarily credit risk and equity risk) and longevity risk.

As at 31 December 2020, the Group SCR (including requirements for OFS undertakings) was £10,735m (2019: £10,419m). The amount of own funds eligible to cover the Group SCR was £15,631m (2019: £14,889m), giving rise to a regulatory Solvency II coverage ratio of 146% (2019: 143%) and Group Solvency II surplus of £4,896m (2019: £4,471m). As at 31 December 2020 the Group MCR was £2,568m (2019: £2,501m) and the amount of own funds eligible to cover it was £11,148m (2019: £10,774m).

The Group has met its SCR and MCR requirements at all times during 2020.

Shareholder and With-Profits Fund views of solvency

The With-Profits Fund view of the Solvency II capital position represents the standalone capital strength of the Group's ring-fenced With-Profits Fund, taking into account the assets, liabilities, and risk exposures within that fund.

As the surplus in the With-Profits Fund is not available to meet losses elsewhere in the Group, the regulatory capital position limits the contribution of the With-Profits Fund to the Group own funds to the level sufficient to cover its SCR (i.e. a 100% coverage ratio), via a ring-fenced fund restriction. This treatment results in the regulatory solvency ratio being lower than for both the With-Profits Fund and the residual shareholder-backed business, as shown below.

Summary (continued)

Capital management (continued)

Figure 2: Shareholder and With-Profits Fund views of the Solvency II capital position

As at 31 December		Shareholder view £m	With-Profits Fund view £m	Ring-fenced fund restrictions £m	Regulatory view[1] £m
2020	**Own Funds**	**10,736**	**11,896**	**(7,001)**	**15,631**
	SCR	**5,840**	**4,895**	**—**	**10,735**
	Surplus	**4,896**	**7,001**	**(7,001)**	**4,896**
	Solvency ratio (%)	**184 %**	**243 %**	**—**	**146 %**
2019	Own Funds	10,322	12,196	(7,628)	14,889
	SCR	5,851	4,568	—	10,419
	Surplus	4,471	7,628	(7,628)	4,471
	Solvency ratio (%)	176 %	267 %	—	143 %

[1] The contribution of the With-Profits Fund to the regulatory solvency position is restricted to the own funds required to cover its SCR.

The Group uses the shareholder view of the Solvency II capital position as its main solvency metric to manage the business, as this is considered to provide a more relevant reflection of the capital strength of the Group. The Group shareholder Solvency II capital position and solvency ratio are calculated excluding the contribution to own funds and SCR from the ring-fenced With-Profits Fund when in surplus. This calculation results in the same Group Solvency II surplus, but provides a higher solvency ratio.

Development of Solvency II capital position during the reporting period

The stable and recurring nature of the Group's underlying capital generation, coupled with a series of management actions taken to protect the Group's balance sheet, offset adverse market variances over the period and the payment of dividends to shareholders, resulting in the Group's Solvency II surplus increasing to £4,896m (2019: £4,471m), the shareholder Solvency II coverage ratio increasing to 184% (2019: 176%) and the regulatory Solvency II coverage ratio increasing to 146% (2019: 143%).

Our With-Profits Fund continues to have a strong Solvency II coverage ratio of 243% (2019: 267%). Whilst this is lower than 2019, it reflects the increased cost of options and guarantees and the distribution of £1.0 billion of excess surplus in the fund to our with-profits policyholders announced in February 2020.

Further detail on the movement in the Group's Solvency II capital position over the period, split by own funds and SCR movements, is provided in Section E.

Reconciliation of the Solvency II capital position disclosed in the Annual Report and Accounts to the SFCR

A reconciliation of the estimated and unaudited Solvency II capital position published in the Group's 2020 Annual Report and Accounts to the Solvency II capital position included in the quantitative reporting templates included in the Appendix to this document, is provided in Section E.1.2.

The only reconciling difference is to reflect that the results presented in the Annual Report and Accounts assume a TMTP which has been recalculated in line with management's estimate of operating and market conditions as at the valuation date, which as at 31 December 2020 differed from the latest regulatory approved TMTP which was recalculated as at 31 March 2020. Unless stated otherwise, the Solvency II figures presented in this report, including the shareholder and With-Profits Fund views of solvency, assume the latest regulatory approved TMTP, so therefore differ to the information within the Annual Report and Accounts. A summary of the coverage ratios under each view of the Solvency II capital position within each document is presented below.

Figure 3: Solvency ratio disclosed within the Annual Report and Accounts compared to the SFCR

As at 31 December 2020	Shareholder view	With-Profits Fund view	Regulatory view
As disclosed within M&G plc Annual Report and Accounts (recalculated TMTP)	**182 %**	**242 %**	**144 %**
As disclosed within M&G plc SFCR (latest regulatory approved TMTP)	**184 %**	**243 %**	**146 %**

Sensitivity of the solvency ratio to the matching adjustment and transitional measures

The regulatory solvency ratio is underpinned by the use of a matching adjustment to calculate the technical provisions on its annuity business and by the TMTP. Without these items the solvency ratio would change as set out in the table below.

Figure 4: Solvency ratio without the matching adjustment and TMTP

As at 31 December		As reported	Without the matching adjustment	Without TMTP
2020	**Regulatory view**	**146 %**	**100 %**	**131 %**
	Shareholder view	**184 %**	**100 %**	**156 %**
2019	Regulatory view	143 %	97 %	128 %
	Shareholder view	176 %	96 %	149 %

Annually, the Group prepares a business plan which includes the projected development of the Solvency II capital position. The plan allows for the reduction to the TMTP over the 16 year amortisation period to 2032, and the surplus generated from the in-force book is sufficient to offset the amortisation of the TMTP. Additional information on the components of the Group's own funds and SCR is provided in Section E.

A Business and performance (Unaudited)

A.1 Business

A.1.1 Company details

Name and legal form

The Company is a public limited company incorporated in England and Wales on 2 July 2018 as Voyager Dallas Holding Company Limited with company number 11444019. Voyager Dallas Holding Company Limited changed its name to M&G Prudential Limited on 3 July 2018, to M&G Prudential plc on 24 July 2019 when it was re-registered as a public limited company and to M&G plc on 16 September 2019. The legal entity identifier of the Company is 254900TWUJUQ44TQJY84.

Its ordinary shares are listed on the London Stock Exchange.

The Company is the holding company of the Group.

The registered office of the Company is:

10 Fenchurch Avenue

London

EC3M 5AG

Supervisory authority and Group supervisory authority

The Group is supervised by the Prudential Regulation Authority (PRA), the lead supervisor in accordance with the Financial Services and Markets Act 2000 (FSMA). The contact details are:

Prudential Regulation Authority

20 Moorgate

London

EC2R 6DA

External auditor

The Group is audited by KPMG LLP. The contact details are:

KPMG LLP

15 Canada Square

London

E14 5GL

Holders of qualifying holdings

As at 31 December 2020, there were no holders of qualifying holdings in M&G plc (being a holder of 10% or more of the capital or voting rights). For details of significant shareholders in M&G plc, see the Directors' Report in the M&G plc 2020 Annual Report and Accounts.

A Business and performance (continued)

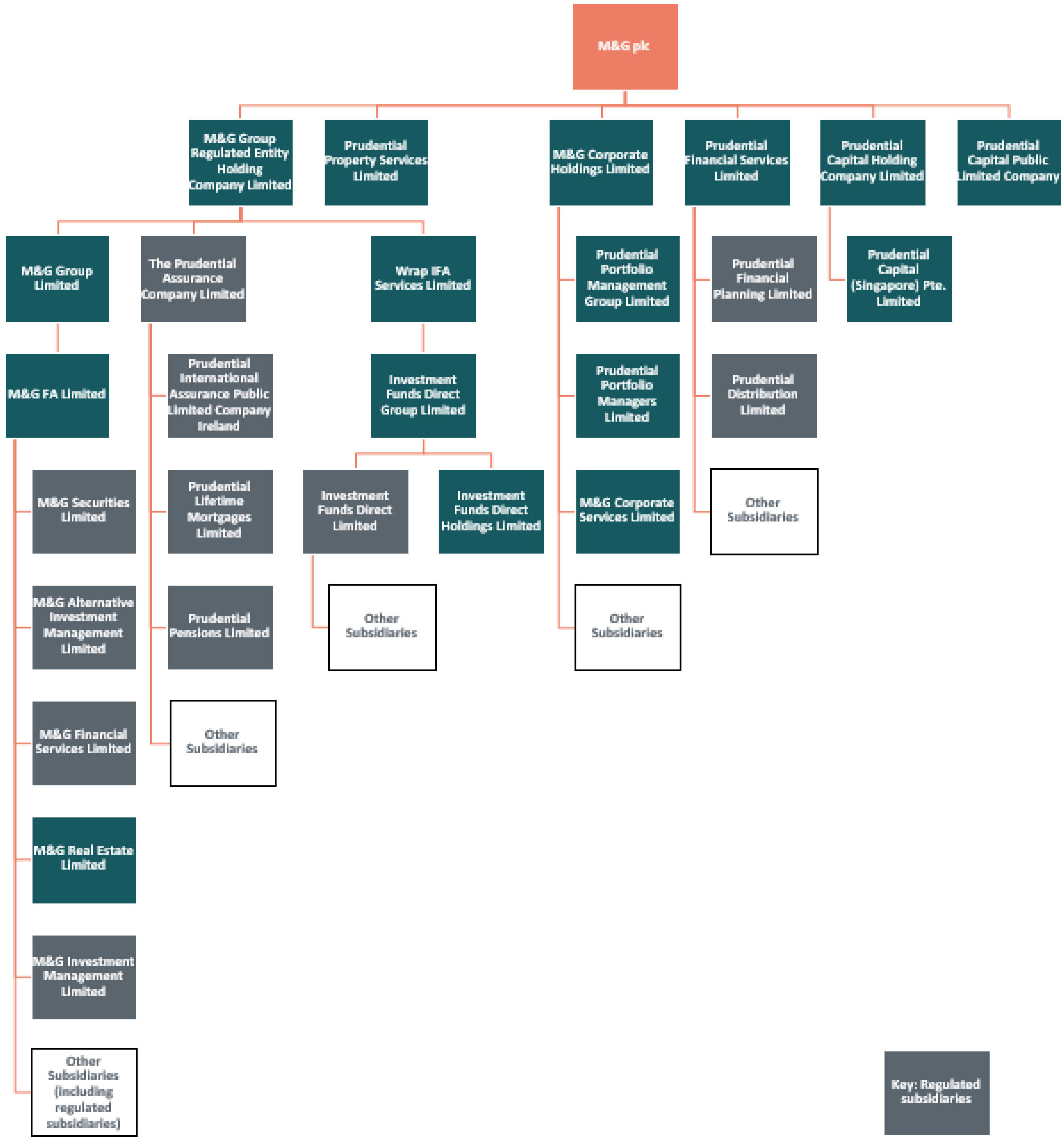
A.1 Business (continued)

A.1.2 Group structure

A.1.2.1 Legal structure of the Group and related undertakings

Figure 5 is an extract of the Group structure as at 31 December 2020 and gives an overview of the composition of the Group. M&G plc is the principal holding company and ultimate parent of the Group.

Figure 5: Simplified structure of M&G plc as at 31 December 2020



The Group comprises subsidiaries which primarily undertake Insurance and Asset Management activities.

The table below lists its main operating subsidiaries as at 31 December 2020. The subsidiaries below are all wholly owned.

There have been a number of changes to the structure of the Group during 2020 and these are discussed in Section A.1.4.

A Business and performance (continued)

A.1 Business (continued)

Figure 6: Main subsidiaries of the Group

Subsidiary	Main activity	Country of incorporation
The Prudential Assurance Company Limited ("PAC")	Insurance	England and Wales
Prudential Pensions Limited ("PPL")	Insurance	England and Wales
Prudential International Assurance plc ("PIA")	Insurance	Ireland
M&G Group Limited (including subsidiaries)	Asset Management	England and Wales
Wrap IFA Services Limited (including subsidiaries)	Investment services	England and Wales
Prudential Capital Public Limited Company	Financial services	England and Wales

The principal insurance subsidiary of the Group is PAC, which in turn owns two smaller insurance companies, PPL and PIA. PAC and PPL's customers are primarily based within the UK. PIA is based in the Republic of Ireland and operates in the UK and overseas.

M&G Group Limited is the holding company for the Group's Asset Management business operating both in the UK and internationally.

Wrap IFA Services Limited, including its subsidiaries (collectively referred to as "Ascentric") is an established digital wealth management platform, which was acquired by M&G Group Regulated Entity Holding Company Limited, a wholly owned subsidiary of the Company, from Royal London in September 2020. Investment Funds Direct Limited is the regulated subsidiary of Wrap IFA Services Limited.

The remaining entities in the Group perform a range of services, including treasury operations, employee services, and infrastructure services.

A complete list of the Group's related undertakings comprising subsidiaries, joint ventures, associates and other significant holdings is contained within Note 41 to the consolidated financial statements of the M&G plc 2020 Annual Report and Accounts.

A.1.2.2 Information on the scope of the Group

All entities under Group supervision are described in Quantitative Reporting Template (QRT) S.32.01.22 'Undertakings in the scope of the Group', included in the Appendix to this report.

The Solvency II balance sheet has been prepared using the default accounting consolidation based method (described as "Method 1"), which may give rise to differences in the scope and method of consolidation used compared to the IFRS consolidated financial statements.

The most material difference in the scope of consolidation relates to Open Ended Investment Companies ("OEICs"), unit trusts and other investment funds meeting the definition of a subsidiary under IFRS ("participation" under Solvency II). The assets and liabilities of the majority of these funds are consolidated on a line-by-line basis within the IFRS consolidated financial statements, with a corresponding liability recognised in respect of third party interests. Under Solvency II only the proportional share of these funds, owned by the Group, is shown as a single line participation in the Solvency II balance sheet.

Further information on the scope and method of consolidation is described in Section D.

A.1.2.3 Group solvency

For the purposes of calculating the Group's solvency position, a range of rules apply to the different undertakings in the Group and these are summarised in the table below.

Figure 7: Approach to calculate solvency for entities within scope of the Group

Related undertaking	Regulatory framework
Insurance companies (PAC, PIA, PPL)	Solvency II Internal Model
M&G Group Limited (and subsidiaries)	BIPRU[1] sectoral requirements
Prudential Capital Public Limited Company and Prudential Portfolio Management Group Limited	Notional sectoral requirements, based on BIPRU[2]
Investment Funds Direct Limited	IFPRU[3] sectoral requirements
Prudential Lifetime Mortgages Limited	MIPRU[4] sectoral requirements
Other undertakings in the Group	Solvency II Internal Model

[1] Prudential Sourcebook for Banks, Building Societies and Investment firms.
[2] These undertakings are not regulated. Their contribution to the Group Solvency II calculation has been based assuming BIPRU rules were to apply.
[3] Prudential Sourcebook for Investment firms.
[4] Prudential Sourcebook for Mortgage and Home Finance Firms, and Insurance intermediaries.

Under Solvency II, related undertakings subject to sectoral or notional sectoral requirements, as well as certain other regulated undertakings are not consolidated on a line-by-line basis as they would be under IFRS, and are instead presented within the single line 'Holdings in related undertakings, including participations' in the Solvency II balance sheet.

Further detail on the treatment of these undertakings within the Group's Solvency II capital position is provided in Sections D and E.

A.1.3 Business and performance

The Group operates across two operating segments: Savings and Asset Management and Heritage.

A Business and performance (continued)

A.1 Business (continued)

A.1.3.1 Savings and Asset Management

The Group's Savings and Asset Management business provides a range of retirement, savings and investment management solutions to its retail and institutional customers and clients. The Group's retirement and savings products are distributed to retail customers through the wrap platform, intermediaries and advisors, and include the Retirement Account (a combined individual pension and income drawdown product), individual pensions, ISAs, collective investments and a range of on-shore and off-shore bonds.

All of the Group's products that give access to the PruFund investment proposition are included in the Savings and Asset Management segment. The PruFund investment proposition gives retail customers access to savings contracts with smoothed investment returns and a wide choice of investment profiles. Unlike the conventional and accumulating with-profits contracts in the Group's Heritage business, no regular or final bonuses are declared. Instead, policyholders participate in profits by means of an increase in their investment, which grows in line with an Expected Growth Rate.

The Group's investment management capability is offered to both retail customers and institutional clients. The Group's retail customers invest through either UK domiciled OEICs or Luxembourg domiciled Sociétés d'Investissement à Capital Variable ("SICAVs") and have access to a broad range of actively managed investment products, including Equities, Fixed Income, Multi-Asset and Real Estate. The Group serves these customers through its many business-to-business relationships both in the UK and overseas, which include independent financial advisers, high-street banks and wealth managers. The Group's institutional investors, include pension funds, insurance companies and banks from around the world, who invest through segregated mandates and pooled funds into a diverse range of Fixed Income and Real Estate investment products and services.

The Savings and Asset Management segment also earns investment management revenues from the significant proportion of Heritage assets it manages.

A.1.3.2 Heritage

The Group's Heritage business includes individual and corporate pensions, annuities, life, savings and investment products. The majority of the products in the Heritage business are closed to new customers but may accept further contributions from existing policyholders[1]. The annuity contracts include: level annuities, which provide a fixed annuity payment; fixed increase annuities, which incorporate a periodic automatic fixed increase in annuity payments; and inflation-linked annuities, which incorporate a periodic increase based on a defined inflation index. Some inflation-linked annuities have minimum and/or maximum increases relative to the corresponding inflation index.

The life products in Heritage are primarily whole of life assurance, endowment assurances, term assurance contracts, lifetime mortgages, income protection, and critical illness products. Investment products include unit-linked contracts and the Prudential bond offering, which mainly consists of single-premium-invested whole of life policies, where the customer has the option of taking ad-hoc withdrawals, regular income or the option of fully surrendering their bond.

Some of the Group's Heritage products written through conventional and accumulating with-profits contracts, in the with-profits sub-fund, provide returns to policyholders through 'regular' and 'final' bonuses that reflect a smoothed investment return.

The Heritage business includes the closed Scottish Amicable Insurance Fund ("SAIF") with-profits sub-fund. This fund is solely for the benefit of policyholders of SAIF. Shareholders have no entitlement to the profits of this fund although they are entitled to asset management fees on it. It also includes the Defined Charge Participating sub-fund ("DCPSF"), which consists of two types of business:

(i) the Defined Charge Participating business, primarily business reinsured from Prudential International Assurance plc; and

(ii) the with-profits annuities transferred from Equitable Life Assurance Society on 31 December 2007.

On 1 April 2021, SAIF merged with the main with-profits sub-fund ("WPSF"). See the post balance sheet event disclosed in Section A.5.4.2 for further details.

A.1.3.3 Corporate

Corporate Centre includes central corporate costs and debt costs.

A.1.4 Significant business or other events that have a material impact on the Group over the reporting period

A.1.4.1 The COVID-19 pandemic

The COVID-19 pandemic has created unprecedented challenges for businesses and governments everywhere. Millions of people around the world have been affected by economic hardship, illness and the loss of people close to them. In the financial markets, global investor confidence was badly shaken in the first half of 2020, resulting in sharp falls in equity markets. The Group responded quickly at the start of the pandemic to mobilise resources and stand up business continuity protocols and also established an Executive Solvency Monitoring Group to provide additional oversight of financial risks.

In the second half of the year, there was a marked recovery in both bond and equity markets, bolstered by supportive economic policies and positive news on vaccines for COVID-19, resulting in an improved shareholder Solvency II coverage ratio of 184% as at 31 December 2020 (2019: 176%), after allowing for the payment of £562m in dividends to shareholders. Whilst the economic outlook continues to remain uncertain, our diversified and integrated business model strength has been demonstrated by the continuation to deliver on commitments to customers, clients and shareholders despite the demands of the COVID-19 pandemic.

The COVID-19 pandemic has had an impact on some parts of the Group and is therefore discussed throughout this report within the relevant sections.

A.1.4.2 United Kingdom's departure from the European Union ("Brexit")

The Group had prepared for a "no-deal" Brexit to manage the risk that the process and outcomes compromised our business model and strategy. In the run up to, and immediately after 31 December 2020, potential impacts were monitored with no material issues identified.

Monitoring will continue in 2021 noting that there are residual risks in respect of temporary equivalence arrangements and that discussions continue between the UK and EU with regards to financial services.

[1] The Group accepts new members to existing Corporate Pension schemes and writes a small number of new annuity policies with customers who have a pension issued by PAC.

A Business and performance (continued)

A.1 Business (continued)

A.1.4.3 Transfer of ownership of PAC and M&G Group Limited

As part of an internal restructure on 23 July 2020, ownership of M&G Group Limited and PAC was transferred from M&G plc to M&G Group Regulated Entity Holding Company Limited, a direct subsidiary of the M&G plc. The transfer was at fair value in a share for share exchange. This inter-group transaction had no impact on the consolidated financial statements or the Group's Solvency II capital position.

A.1.4.4 Transfer of ownership of Prudential Capital Public Limited Company

On 31 August 2020 M&G plc acquired Prudential Capital Public Limited Company via an in specie dividend from Prudential Capital Holdings Limited, a direct subsidiary of the Company. This inter-group transaction had no impact on the consolidated financial statements or the Group's Solvency II capital position.

A.1.4.5 Ascentric acquisition

On 27 May 2020 the Group announced an agreement with Royal London to acquire its digital wrap and wealth management platform, for UK independent financial advisers, which comprises Wrap IFA Services Limited ("Wrap IFA") and all of its subsidiaries together referred to as Ascentric.

The acquisition of Ascentric completed on 1 September 2020 following change of control approval from the FCA. Following acquisition, Wrap IFA is a wholly owned subsidiary of M&G Regulated Entity Holding Company Limited, a wholly owned subsidiary of the Company. The net effect of the transaction was a £66m reduction in the Group's Solvency II surplus. This reflects the £37m net consideration paid to Royal London (£86m total cash consideration, less £49m loan repayment), as well as a reduction in surplus of £29m from recognising the Ascentric business within the Group's Solvency II calculation (a £10m increase in own funds offset by a £39m increase in SCR).

A.1.4.6 With-Profits Fund excess surplus distribution

In February 2020 the Group announced plans to pay out £1bn excess surplus in the With-Profits Fund to our policyholders over the coming years. This reduced the With-Profits Fund's Solvency II surplus by £755m during 2020.

A.1.4.7 Dividends

The Board declared an ordinary dividend of 11.92 pence per share and a special one-off demerger related dividend of 3.85 pence per share, resulting in dividends totalling £410m that were paid on 29 May 2020. An interim ordinary dividend of £152m was paid on 30 September 2020, equal to 6.00 pence per share. A second interim dividend of £310m equal to 12.23 pence per share will be paid on 28 April 2021.

During 2020, the Group's main regulated subsidiaries paid dividends to their parent company. PAC paid dividends totalling £497m and M&G Group Limited paid dividends of £185m.

A.1.4.8 Provisions in relation to annuity sales practices

Provisions included a provision for the review of past annuity sales of £49m as at 31 December 2020 (2019: £100m). PAC has agreed with the Financial Conduct Authority ("FCA") to review annuities sold without advice after 1 July 2008 to its contract-based defined contribution pension customers, and this review is now complete. In addition, PAC has been conducting a review of other similar but separate groups of annuities sold after 1 July 2008 which were outside the scope of the original review. The review is examining whether customers were given sufficient information about their potential eligibility to purchase an enhanced annuity, either from PAC or another pension provider. The ultimate amount that will be expended by PAC on the review will remain uncertain until the project is completed.

Further details of the provisions held as at 31 December 2020 are shown in Section D.3.2.1.

A.1.4.9 Part VII transfer of Rothesay Life reinsured annuities

On 14 March 2018, Prudential plc announced the reinsurance of £12,149m (Solvency II technical provisions as at 31 December 2017) of PAC shareholder-backed annuity portfolio to Rothesay Life PLC by way of a collateralised reinsurance arrangement to be followed by an insurance business transfer scheme (the "Scheme") under Part VII of Financial Services and Markets Act 2000. The terms of the reinsurance arrangement transferred substantially all of the economic risk and capital requirements associated with the annuity portfolio to Rothesay Life PLC, subject to a residual counterparty credit risk attaching to reinsurance receivables.

On 17 May 2019, the independent expert who was appointed to report to the High Court concluded that the planned transfer would have no material adverse effect on the security of benefits or the reasonable benefit expectations of PAC's policyholders. However, on 16 August 2019, the High Court declined to sanction the Scheme. PAC and Rothesay Life PLC have successfully appealed that decision in the Court of Appeal. There will now need to be a further sanction hearing in the High Court to decide if the transfer should proceed which is currently expected to be in November 2021. The High Court's judgment has no direct impact on the reinsurance with Rothesay Life PLC.

The Solvency II liabilities relating to the Group's total UK shareholder-backed annuity portfolio as at 31 December 2020 were £29.4bn (2019: £29.5bn), of which £12.2bn (2019: £12.4bn) is reinsured by Rothesay Life.

A.1.4.10 Delivering sustainability

The Group have put sustainability at the forefront of strategy, from the impact the Group has on the planet and communities, to the opportunity to influence others through leading by example. In March 2020, the Group made company-wide commitments to both diversity and inclusion and climate change, including a pledge to reach carbon net zero as a corporate entity by 2030 and to achieve carbon net zero on its total book of assets under management and administration by 2050, in line with the Paris Agreement.

The Group has developed its with-profits proposition by leveraging its existing unique position, developing additional propositions to meet customer needs, including the planned launch of PruFund Planet, which aims to provide policyholders with a smoothed investment return whilst delivering positive environmental and societal impacts. The Group's with-profits proposition continues to provide its customers with a smoothed return, reducing the volatility of direct investing in the markets, none more so than in 2020, and providing access to a wide range of asset strategies.

In addition, towards the end of 2020, the With-Profits Fund decided to allocate £5 billion of Prudential customer savings to a new sustainability-oriented private assets strategy, including impact investing. The mandate will be managed by Catalyst, a new global private assets team set up by M&G Investments and specialising in sourcing attractive sustainable and impact investment opportunities in companies making a positive difference to society and the planet.

A Business and performance (continued)

A.1 Business (continued)

A.1.4.11 Other events with material impact

The Group's financial and solvency position were impacted by model improvements, changes in assumptions, management actions, and economic variances during the period. The material items are described in Sections A.2 to A.4 and Section E.

A.2 Underwriting performance

The Group's consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (''IASB'') adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("EU"), with interpretations issued by the IFRS Interpretations Committee (''IFRICs''). The IFRS consolidated financial statements are published within the M&G plc 2020 Annual Report and Accounts.

The Group uses 'adjusted operating profit before tax' which is management's non-GAAP Alternative Performance Measure ("APM") of profitability and is used for key decision making and the internal performance management of its segments. This metric covers both insurance and non-insurance activities and has been used as the measure of underwriting performance discussed in this section.

The Group uses this metric because it demonstrates the Group's longer-term performance and is less affected by short-term market volatility and non-recurring items than IFRS profit before tax. This measure is not defined under IFRS and other companies may calculate such measures differently.

A description of the approach to deriving adjusted operating profit before tax, for each of the Group's main components of business, is described in Note 3 to the consolidated financial statements within the M&G plc 2020 Annual Report and Accounts.

The key adjusting items between IFRS profit before tax and adjusted operating profit before tax are shown in Section A.2.1 below, whilst an analysis of premiums, claims, expenses and investment return is given in Section A.5.3.

A Business and performance (continued)

A.2 Underwriting performance (continued)

A.2.1 Adjusted operating profit before tax overview

The table below reconciles adjusted operating profit before tax to the IFRS profit after tax for the year.

Figure 8: Adjusted operating profit before tax

	For the year ended 31 December		
	2020	2019	
	£m	£m	Section
Adjusted operating profit before tax	**788**	1,149	A.2.2
Short-term fluctuations in investment returns	**678**	298	A.3.1
Profit on disposal of business and corporate transactions	**—**	53	A.4.1
Restructuring and other costs	**(73)**	(198)	A.4.1
IFRS profit attributable to non-controlling interests	**4**	3	
IFRS profit before tax attributable to equity holders from continuing operations	**1,397**	1,305	
Tax charge attributable to equity holders from continuing operations	**(255)**	(240)	
IFRS profit after tax attributable to equity holders from continuing operations	**1,142**	1,065	
Profit after tax for the year attributable to equity holders from discontinued operations	**—**	58	A.4.2
IFRS profit after tax attributable to equity holders	**1,142**	1,123	

For the year ended 31 December 2020, adjusted operating profit before tax was £788m (2019: £1,149m). The 2020 results include the first full year of listed infrastructure costs, with £167m of finance costs in relation to the subordinated debt, £101m of head office costs and £15m foreign exchange gain in respect of the US dollar subordinated debt. The 2019 result benefited from changes made to the staff pension schemes of £64m which were not repeated in 2020. Fee-based revenues fell from £1,287m to £1,220m as a result of net client outflows in Retail Asset Management during the year, particularly in the international wholesale channel, and industry-wide pressure on margins.

IFRS profit after tax attributable to equity holders from continuing operations increased to £1,142m compared to £1,065m for the year ended 31 December 2019. The fall in adjusted operating profit before tax was offset by the combined positive impact of a £380m increase in short-term fluctuations in investment returns (see Section A.3.1) and a £125m reduction in restructuring costs, less a £15m increase in the equity holders tax charge.

Further detail on the adjusted operating profit before tax by segment is set out in Section A.2.2 below whilst the items excluded from adjusted operating profit before tax are described in Section A.3.1 (short-term fluctuations in investment returns), Section A.4.1 (profit/loss on disposal of businesses, corporate transactions, restructuring costs) and Section A.4.2 (discontinued operations).

A.2.2 Adjusted operating profit before tax analysed by Solvency II lines of business

Adjusted operating profit before tax by operating segment and material Solvency II lines of business is shown in the table below:

Figure 9: Adjusted operating profit before tax by segment, business and Solvency II line of business

			For the year ended 31 December	
			2020	2019
Segment	Business	Solvency II line of business	**£m**	£m
Savings and Asset Management	Asset Management[1]	N/A	**316**	381
	With-profits	Insurance with-profit participation[2]	**44**	55
	Other	Other	**(28)**	38
	Total Savings and Asset Management	N/A	**332**	474
Heritage	With-profits	Insurance with-profit participation[3]	**207**	187
	Shareholder Annuities	Other	**438**	458
	Other	Other	**54**	107
	Total Heritage	N/A	**699**	752
Corporate Centre		N/A	**(243)**	(77)
Adjusted operating profit before tax			**788**	1,149

[1] M&G Investments
[2] Insurance with-profit participation comprises the shareholder transfers from the With-Profits Fund.
[3] Insurance with-profit participation comprises the shareholder transfers from the With-Profits Fund. These may also be indirectly impacted from Other (non-profit) business in the With-Profits Fund.

Further information on the Group's underwriting performance over 2020 and relative to the prior year, as well as the Group's other KPMs, is detailed in the 'Business and financial review' of the M&G plc 2020 Annual Report and Accounts.

A Business and performance (continued)

A.3 Investment performance

A.3.1 Short-term fluctuations in investment returns

As explained in Section A.2, the Group describes its financial performance by reference to adjusted operating profit before tax and IFRS profit before tax.

Adjusted operating profit before tax is based on longer-term investment return assumptions. The difference between actual investment returns recorded in the consolidated income statement and assumed longer-term returns is reported within short-term fluctuations in investment returns, which captures:

(i) Short-term temporary movements in the fair value of instruments held to mitigate equity risk in the with-profits shareholder transfer, including both cash flow and capital hedges.

(ii) Total fair value movements on other capital hedges, which are solely held to optimise the Solvency II capital position.

(iii) Total fair value movements on surplus assets backing the shareholder annuity capital, and the impact of short term credit risk provisioning and experience variances over the period which are not reflective of the longer-term performance of the business, specifically:

– The impact of credit risk provisioning for short-term adverse credit risk experience;

– The impact of credit risk provisioning for actual upgrades and downgrades relative to best estimate assumptions. This is calculated by reference to current interest rates;

– Credit experience reflecting the impact of defaults and other similar experience, such as asset exchanges arising from debt restructuring; and

– The impact of market movements on bond portfolio weightings and the subsequent impact on credit provisions.

Short-term fluctuations for the year ended 31 December 2020 primarily comprise gains on equity hedges of £235m, a benefit of £118m from interest rate swaps purchased to protect the Solvency II capital position and a £435m increase from fair value movements on surplus annuity assets. These gains have been partially offset by the strengthening of the credit risk allowance for shareholder-backed annuities by £117m, in anticipation of short-term deterioration in the number of company defaults and downgrades due to the current market conditions arising from the COVID-19 pandemic.

All investment gains or losses during the period were recognised in profit or loss, and none were recognised directly in equity.

An analysis of the absolute level of investment returns in the income statement by asset class is given in Section A.5.3.4.

A.3.2 Investment management fees

The total investment management fees incurred by the Group totalled £191m (2019: £221m).

A.3.3 Investments in securitisations

Certain securities classified as asset-backed securities meet the definition of securitisations under Solvency II for the purpose of the Solvency II capital requirements calculation. Investments in securitisations other than those held by related undertakings operating in other financial sectors are subject to specific spread stresses in the calculation in order to ensure that risks arising from securitisation positions are reflected appropriately.

As at 31 December 2020, £3,991m (2019: £4,768m) meet the definition of investments in securitisations.

A Business and performance (continued)

A.4 Performance of other activities

This section describes other activities and the impact of adjusting items.

A.4.1 Other adjusting items

Other adjusting items includes losses on disposal of businesses and corporate transactions, restructuring and other costs and discontinued operations.

Profit/ (loss) on disposal of businesses and corporate transactions

For the year ended 31 December 2019, £53m resulted from the reinsurance of £12bn of annuities to Rothesay Life plc in anticipation of sale. The gain on disposal of Prudential Vietnam Finance Company Limited was not included in the reconciliation of adjusted operating profit to IFRS profit from continuing operations as it is presented in profit from discontinued operations in the consolidated income statement for the year ended 31 December 2019. There were no equivalent adjusting items for the year ended 31 December 2020.

Restructuring and other costs

Restructuring and other costs primarily reflect the shareholder allocation of costs associated with the merger, transformation, rebranding and other change in control costs. These costs represent fundamental one-off Group-wide restructuring and transformation and are therefore excluded from adjusted operating profit before tax. Restructuring and other costs were £73m for the year ended 31 December 2020 (2019: £198m).

A.4.2 Discontinued operations

There was no IFRS profit/(loss) from discontinued operations in 2020 in the consolidated income statement (2019: £58m profit). Profit from discontinued operations during 2019 relates to the disposal of Prudential Vietnam Finance Company Limited to Shinhan Card co. Ltd on 14 June 2019.

A.4.3 Leasing

Information on the Group's leasing arrangements is provided below. Income and expenses relating to leasing arrangements is allowed for, to the extent relevant, in the Group's adjusted operating profit before tax disclosed in Section A.2.1 above.

The Group as a lessor

The Group's policy is to let investment properties to tenants through operating leases. As at 31 December 2020, the Group held investment properties with a fair value of £19,106m (2019: £19,136m) principally included in the With-Profits Fund.

In addition, a further £66m (2019: £64m) of assets are leased under finance leases. These amounts are reported within Accrued investment income and other debtors on the consolidated statement of financial position in the M&G plc 2020 Annual Report and Accounts.

For the year ended 31 December 2020 rental income from investment property was £997m (2019: £1,065m). Direct operating expenses including repairs and maintenance arising from these properties for the year ended 31 December 2020 were £99m (2019: £60m).

In addition, the Group has invested in a collective investment undertaking that is in the business of leasing out fixed assets for commercial use under both operating and finance leases. Under IFRS, the Group's holding is consolidated on a line by line basis as it has been assessed to exercise control over the undertaking. However, given its nature, it is treated as a single line participation on the Solvency II balance sheet and the lease assets are reflected within this value instead. As at 31 December 2020, the value of the assets for which the Group acts as a lessor under operating and finance leases are £359m and £255m respectively.

The Group as a lessee

As at 31 December 2020, the Group had lease liabilities of £354m (2019: £360m) primarily related to operating leases over land and buildings utilised as office space, of which £34m (2019: £49m) are attributable to the With-Profits Fund.

Some of these operating leases of office buildings contain lease break options exercisable by the Group.The Group assesses at lease commencement whether it is reasonably certain to exercise the option.This assertion is revisited if there is a material change in circumstances. The undiscounted value of lease payments beyond the break period which are not recognised in lease liabilities as at 31 December 2020 is £61m (2019: £61m).

A.5 Any other information

A.5.1 Additional analysis of IFRS profit after tax by nature of revenue and charges

IFRS profit after tax for the year ended 2020 was £1,142m (2019: £1,123m), representing £1,142m from continuing operations (2019: £1,065m) and £nil from discontinued operations (2019: £58m), as described in Sections A.2 to A.4 above.

Analysis of IFRS profit by nature of revenue and charges is shown in the consolidated income statement which is shown in Figure 10 below.

A Business and performance (continued)

A.5 Any other information (continued)

Figure 10: Consolidated income statement, showing total revenue and charges

	For the year ended 31 December	
	2020	2019
	£m	£m
Gross premiums earned	**5,796**	11,074
Outward reinsurance premiums[1]	**(927)**	115
Earned premiums, net of reinsurance	**4,869**	11,189
Investment return	**9,255**	19,619
Fee income	**1,031**	1,286
Other income	**61**	35
Total revenue, net of reinsurance from continuing operations	**15,216**	32,129
Benefits and claims	**(12,674)**	(24,375)
Outward reinsurers' share of benefit and claims	**1,477**	431
Movement in unallocated surplus of the With-Profits Fund	**433**	(2,549)
Benefits and claims and movement in unallocated surplus of the With-Profits Fund, net of reinsurance from continuing operations	**(10,764)**	(26,493)
Administrative and other expenses	**(2,734)**	(2,876)
Movements in third-party interest in consolidated funds	**109**	(1,005)
Finance costs	**(167)**	(28)
Total charges, net of reinsurance from continuing operations	**(13,556)**	(30,402)
Share of (loss)/profit from joint ventures and associates	**(55)**	18
Profit before tax from continuing operations[2]	**1,605**	1,745
Tax charge attributable to policyholders' returns	**(208)**	(440)
Profit before tax attributable to equity holders from continuing operations	**1,397**	1,305
Total tax charge	**(463)**	(680)
Less tax charge attributable to policyholders' returns	**208**	440
Tax charge attributable to equity holders	**(255)**	(240)
Profit after tax attributable to equity holders from continuing operations	**1,142**	1,065
Profit after tax for the year attributable to equity holders from discontinued operations	**—**	58
Profit for the year	**1,142**	1,123

[1] PAC entered into a quota share reinsurance treaty with Prudential Hong Kong Limited in 2013 for 10.43% of the WPSF non-profit annuity book. In preparation for the demerger from Prudential plc, this was recaptured with effect from 1 October 2019. The Hong Kong treaty recapture was treated as an unwind of the original quota share contract. Outward reinsurance premiums for the year ended 31 December 2019 of £115m relates to the outward reinsurance premiums offset by the recapture reinsurance premiums.

[2] This measure is the profit before tax measure under IFRS but it is not the result attributable to equity holders. This is principally because the corporate taxes of the Group include those on the income of consolidated with-profits and unit-linked funds that, through adjustments to benefits, are borne by policyholders. These amounts are required to be included in the tax charge of the company under IFRS. Consequently, profit before tax is not representative of pre-tax profits attributable to equity holders. Profit before tax is determined after deducting the cost of policyholder benefits and movements in the liability for unallocated surplus of the With-Profits Fund after adjusting for taxes borne by policyholders.

Other comprehensive income in 2020 totalled an expense of £78m net of tax (2019: £12m expense). These amounts primarily relate to actuarial gains and losses on the Group's defined benefit pensions obligations, and foreign exchange gains relating to foreign subsidiaries. These amounts are net of tax and after allocation to the unallocated surplus of the With-Profits Fund.

Further detail is provided in the Notes to the IFRS consolidated income statement in the M&G plc 2020 Annual Report and Accounts.

A Business and performance (continued)

A.5 Any other information (continued)

A.5.2 Geographical segmentation

The following table provides a geographical segmentation of total 'earned premiums, net of reinsurance' and other income (includes fee income and other income shown in the previous table), in respect of continuing operations, as presented in the IFRS consolidated income statement.

Figure 11: Geographical segmentation of earned premiums and other income

	For the year ended 31 December	
	2020	2019
	£m	£m
UK:		
Earned premiums, net of reinsurance	**4,280**	10,723
Other income	**768**	743
Total UK	**5,048**	11,466
Rest of the world:		
Earned premiums, net of reinsurance	**589**	466
Other income	**324**	578
Total Rest of the world	**913**	1,044
Total:		
Earned premiums, net of reinsurance	**4,869**	11,189
Other income	**1,092**	1,321
Total	**5,961**	12,510

The geographical analysis of revenues from long-term business are based on the territory of the operating unit assuming the risk. Other income from external customers and clients in the Asset Management business is allocated based on customer and client domicile.

The Group's insurance business is primarily UK based, whilst the Asset Management business' clients are more widely geographically distributed.

A.5.3 Premiums, claims, expenses and investment returns

The tables below set out splits of premiums and claims, as measured on a Solvency II basis, by line of business. These amounts may differ from that shown on an IFRS basis in Figure 10 above due to different valuation bases, as outlined in Section D.

The Group also writes a small amount of non-life premiums which are not included in these tables but are reported in the template S.05.01.02 Non-Life, in the Appendix to this report.

A.5.3.1 Premiums by line of business

Figure 12: Premiums by Solvency II line of business

For the year ended 31 December		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Accepted life reinsurance	Total
		£m	£m	£m	£m	£m	£m
2020	Premiums earned - gross	**15**	**5,310**	**1,646**	**261**	**25**	**7,257**
	Outward reinsurance premiums	**(2)**	**—**	**(24)**	**(902)**	**(1)**	**(929)**
	Earned premiums, net of reinsurance	**13**	**5,310**	**1,622**	**(641)**	**24**	**6,328**
2019	Premiums earned - gross	16	10,391	889	430	25	11,752
	Outward reinsurance premiums	(2)	(1)	(27)	143	—	114
	Earned premiums, net of reinsurance	14	10,390	862	574	25	11,865

The gross premiums of £7,257m (2019: £11,752m) shown in Figure 12 is £1,461m higher (2019: £678m higher) than that shown in the IFRS consolidated income statement in Figure 10, as it includes premiums for investment contracts without discretionary participation features (as defined by IFRS 4 Insurance Contracts), which are included in the 'Index-linked and unit-linked insurance' line of business in the table above. Premium income for these contracts is not recognised in the IFRS consolidated income statement since these contracts are accounted for as deposits.

The majority of the Group's earned premiums relate to 'Insurance with profit participation' and principally relate to PruFund business. Inflows into PruFund business fell over 2020, mainly due to market volatility impacting investor sentiment and pandemic-related restrictions on face-to-face advice.

A Business and performance (continued)

A.5 Any other information (continued)

A.5.3.2 Benefits and claims by line of business

Figure 13: Benefits and claims by Solvency II line of business

For the year ended 31 December		Health insurance £m	Insurance with profit participation £m	Index-linked and unit-linked insurance £m	Other life insurance £m	Accepted life reinsurance £m	Total £m
2020	Claims incurred and changes in other long-term business and technical provisions, gross of reinsurance	**(37)**	**(8,664)**	**(2,583)**	**(2,622)**	**(62)**	**(13,967)**
	Reinsurers share of claims incurred and changes in other long-term business and technical provisions	**34**	**2**	**(3)**	**1,450**	**—**	**1,482**
	Claims incurred and changes in other long-term business and technical provisions, net of reinsurance	**(3)**	**(8,662)**	**(2,586)**	**(1,172)**	**(62)**	**(12,485)**
2019	Claims incurred and changes in other long-term business and technical provisions, gross of reinsurance	2	(18,602)	(3,331)	(3,243)	(180)	(25,355)
	Reinsurers share of claims incurred and changes in other long-term business and technical provisions	15	1	49	645	—	709
	Claims incurred and changes in other long-term business and technical provisions, net of reinsurance	16	(18,601)	(3,281)	(2,599)	(181)	(24,646)

The 'Claims incurred and changes in other long-term business technical provisions, net of reinsurance' of £12,485m (2019: £24,646m) differs from £11,197m (2019: £23,944m) shown in the IFRS consolidated income statement, excluding movement in the unallocated surplus of the With-Profits Fund, in Figure 10. This is primarily as it includes amounts relating to investment contracts without discretionary participation features (as defined by IFRS 4 insurance contracts). Benefits and claims for these contracts are not recognised in the IFRS consolidated income statement since these contracts are accounted for as deposits.

'Claims incurred and changes in other long-term business and technical provisions, gross of reinsurance' totalled £13,967m in 2020 (2019: £25,355m). This reflects benefit and claim payments of £14,559m (2019: 15,085m) and a £(591)m (2019: £10,270m) movement in technical provisions from a number of factors including new business, non-economic assumption changes and variances, and market movements.

A.5.3.3 Acquisition costs and other expenditure

Total administrative expenses from continuing operations were £2,734m (2019: £2,876m).

Administrative expenses included £178m (2019: £205m) related to acquisition costs and amortisation/impairment of deferred acquisition costs, £224m (2019: £263m) of commission expenses, and £191m (2019: £221m) of investment management expenses.

A further £27m of administrative and other expenses in 2019 were incurred in relation to discontinued operations (Prudential Vietnam Finance Company Limited).

A more detailed analysis of the Group's administrative expenses is provided in Note 6 of the M&G plc 2020 Annual Report and Accounts. This differs from the total expenses reported in the S.05.01.02 templates in the Appendix to this report as these reflect expenses only in relation to the insurance business of the Group.

A.5.3.4 Investment return by asset class

Figure 14: Investment return

	For the year ended 31 December 2020 £m	2019 £m
Income		
Investment properties	**997**	1,065
Loans	**237**	248
Equity securities and portfolio holdings in unit trusts	**1,679**	2,119
Debt securities	**2,159**	2,497
Other investments (including deposits)	**35**	114
Total income	**5,107**	6,043
Investment gains/(losses) and other investment return		
Investment properties	**(752)**	(859)
Loans	**(8)**	124
Equity securities and portfolio holdings in unit trusts	**(533)**	8,837
Debt securities	**4,092**	4,240
Derivatives	**1,527**	1,402
Foreign exchange losses	**(178)**	(168)
Total investment gains/(losses) and other investment return	**4,148**	13,576
Total investment return from continuing operations	**9,255**	19,619

A Business and performance (continued)

A.5 Any other information (continued)

For the year ended 31 December 2020 rental income from investment property was £997m (2019: £1,065m). Direct operating expenses including repairs and maintenance arising from these properties for the year ended 31 December 2020 were £99m (2019: £60m).

Total investment returns from continuing operations decreased to £9,255m (2019: £19,619m), primarily as a result of the impact of the COVID-19 pandemic on global markets during 2020, compared to favourable market conditions in 2019.

A.5.4 Post balance sheet events

A.5.4.1 Prudential Portfolio Managers (South Africa) (Pty) Ltd

On 5 March 2021, M&G FA Limited, a wholly owned subsidiary of the Group, agreed to acquire a further 0.13% of the share capital of Prudential Portfolio Managers (South Africa) (Pty) Ltd ("PPMSA") for a cash consideration of £0.2m. The transaction is expected to complete by mid-2021, subject to necessary regulatory, exchange control and competition approvals in South Africa and Namibia.

The transaction would result in M&G FA Limited's holding in PPMSA to increase from 44.99% to 50.12%. The Group currently accounts for the investment as an associate using the equity method. Following the transaction, the Group will control PPMSA and it will be consolidated in the Group financial statements.

Furthermore, it is intended that M&G Group Limited will provide a guarantee in respect of an existing bank facility of the transaction counterparty amounting to ZAR 220m, which will be secured against a further 7% shareholding that the seller retains in PPMSA.

The transaction is not expected to have a material impact on the Group's Solvency II surplus.

A.5.4.2 SAIF merger

SAIF is a separate with-profits sub-fund within the PAC With-Profits Fund. On 1 April 2021, SAIF merged with PAC's main WPSF and the assets and liabilities of SAIF combined with the WPSF. SAIF policies will continue to participate in profits on a 100:0 basis with no shareholder profit transfers. This will not have a material impact on the Group's regulatory solvency position in the future as any financial impact will be limited to the With-Profits Fund which is subject to ring-fenced fund restrictions.

A.5.4.3 Change in proposed corporation tax rate

On 3 March 2021, the UK Government announced a proposal to increase the rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. Changes in tax laws and rates may affect recorded deferred tax assets and liabilities and our effective tax rate in the future. We expect that, in line with the rate increase proposed, there will be an increase to our effective tax rate for periods from 2023 onwards. In addition, we expect a change to the carrying values of our deferred tax assets and liabilities, the impact of which is not considered significant primarily due to the majority of the UK deferred tax balances being measured at a policyholder rate of tax which is unaffected by the announcement.

B System of governance (Unaudited)

B.1 General information on the system of governance

B.1.1 Overview

The PRA requires that firms have in place an effective system of governance, which provides for the sound and prudent management of the business. The system of governance must include an adequate and transparent organisational structure with clear allocation and appropriate segregation of responsibilities.

The Board is collectively responsible for the long-term success of the Group and for providing leadership within a framework of effective controls. The control environment enables the Board to identify significant risks and apply appropriate measures to manage and mitigate them. The Group's governance structures have been designed to ensure they are aligned to the needs of the Group and its stakeholders and fully comply with the UK Corporate Governance Code.

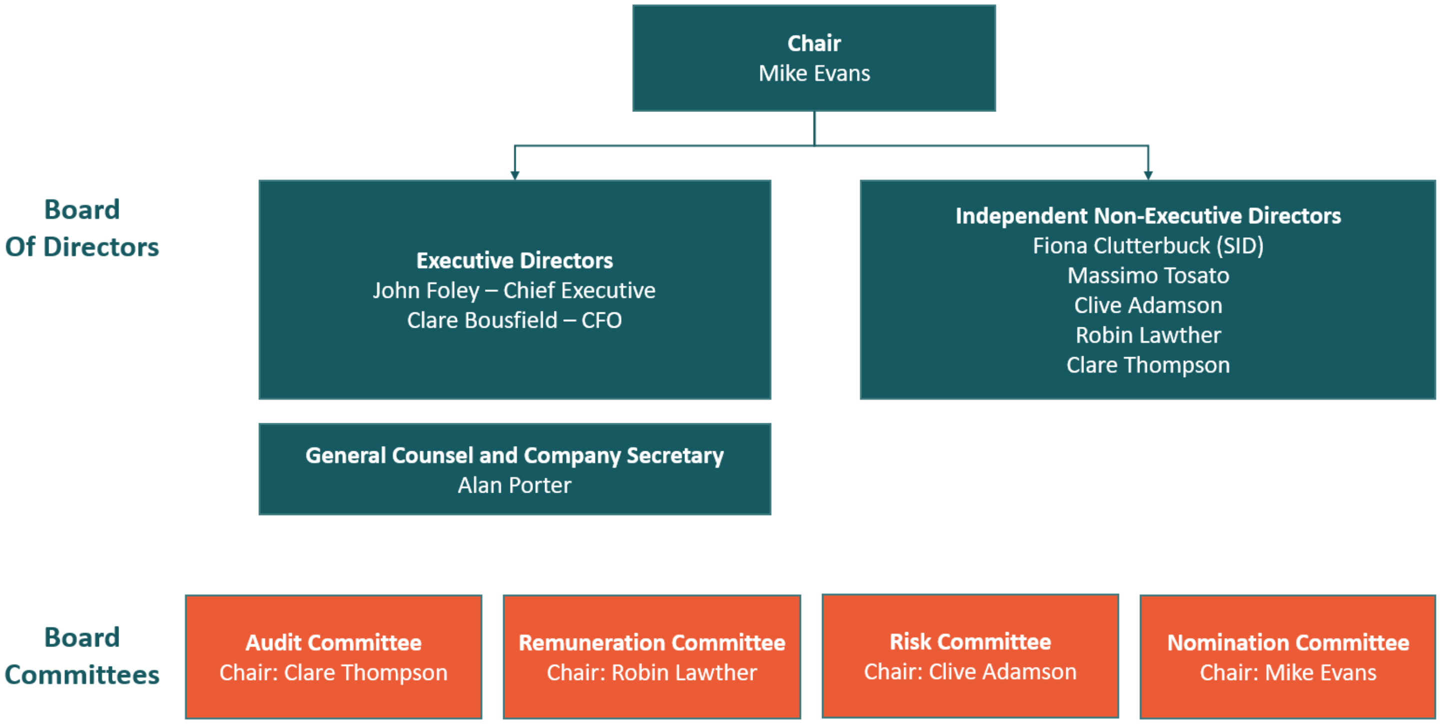
To that end, the Group has a Group Governance Framework ("GGF") which defines the Group's approach to governance and internal controls to ensure the business meets internal and external requirements and standards. The GGF includes information and policies to ensure a consistent approach to the way colleagues work and make decisions across the entire business below Board level. The Group's governance is designed to support a clear understanding and delivery of its strategy.

Compliance with the GGF, including the Risk Management Framework ("RMF"), is attested to annually.

B.1.2 Board and Senior Management

The Board members and Committees are set out in Figure 15 below.

Figure 15: Board and Board Committees as at 31 December 2020



From 11 January 2021, Fiona Clutterbuck took on the Chair role and Chair of the Nomination Committee on an interim basis and Clare Thompson took on the SID role on an interim basis while Mike Evans was on a leave of absence. Effective 1 April 2021 Mike Evans stepped down as Chair and a search led by Fiona Clutterbuck for a new Chair has been initiated. Robin Lawther stepped down as an Independent NED on 15 March 2021 and Clare Chapman joined the board as an Independent NED on 15 March 2021 and chairs the Remuneration Committee from this date.

The Company's Board comprises eight members:

- an Independent Non-Executive Chair, Mike Evans who also serves as Chair of the Nomination Committee;
- a Senior Independent Non-Executive Director ("SID"), Fiona Clutterbuck;
- four Independent Non-Executive Directors ("NEDs"), Massimo Tosato, Clive Adamson, Robin Lawther and Clare Thompson, who also serve as independent Chairs of the M&G Group Limited Board, Risk Committee, Remuneration Committee, and Audit Committee respectively; and
- two Executive Directors, John Foley, the Group's Chief Executive and Clare Bousfield, the Group's Chief Financial Officer ("CFO").

The Board considers all its NEDs to be independent and has complied with the requirements of the UK Corporate Governance Code in relation to the balance of Executive Directors and NEDs on the Board and its Committees. The NEDs are responsible for both supporting and overseeing executive management whilst, as members of a unitary board, sharing in the wider duty to promote the success of the Group.

PAC and M&G Group Limited have their own separate boards with independent NEDs, recognising their obligation to take decisions independently in the interest of their customers and clients, as well as to meet relevant legal and governance responsibilities. The entity boards operate within the overall ambit of the GGF, which sets out the respective roles and responsibilities between the Group and the entities, allowing for the appropriate management of potential conflicts of interest, as well as the required interactions and two way flow of information, including requirements as to the upward and downward escalation of relevant issues.

B System of governance (continued)

B.1 General information on the system of governance (continued)

As the Company itself is not authorised by the PRA or FCA, it is not required to assign Key Functions under Solvency II, Senior Manager Functions ("SMFs") under the Senior Manager Certification Regime ("SMCR") or Controlled Functions ("CFs") under the Approved Persons Regime ("APER"). However, except for the General Counsel (for which there is no SMF), members of the Company's senior management team either hold regulatory approval in respect of their roles within PAC and M&G Investments, or are certified given their influence over such subsidiaries.

The Company's senior management team is shown in Figure 16 below:

Figure 16: Composition of senior management team (Executive Committee) as at 31 December 2020

Note: Peter Grewal has been appointed as the new Chief Risk and Resilience Officer ("CRRO") and has taken over responsibilities from Julian Adams, the interim CRRO with effect from 4 January 2021. Matt Howells moved from being a Standing Attendee to a Member, and Catherine Ross, Culture Lead and Head of Private Credit, joined the Executive Committee, both effective from 1 March 2021.

Material changes to the system of governance

There have been no material changes to the system of governance in 2020.

B System of governance (continued)

B.1 General information on the system of governance (continued)

B.1.3 Responsibilities of the Board and Board Committees

The Board and its Committees operate under approved terms of reference which are reviewed at least annually, which last took place in December 2020. The Board also undertakes an annual review of its performance and effectiveness which was carried out in November and December 2020.

The Board
The Board's key responsibilities are detailed in Figure 17 below:

Figure 17: Board - key responsibilities

Responsibility	Terms of Reference
Group business, strategy and culture	– Setting the Group business strategy, purpose, values, standards and culture, taking into account the Group's risk appetite, tolerance, other key risk factors and long term success. – Approval of the Group's strategic aims, objectives and purpose including around ESG. – Setting the tone for and monitoring culture across the Group. – Approving the annual Group financial budgets and material expenditure. – Extension of the Group's activities into a new form of business and/or geographic region(s). – Any decision to cease to operate and/or divest of any material part of the Group's business. – Overseeing the management of potential conflicts within the Group.
Group financial reporting and controls	– Approving the consolidated Annual Report and Accounts. – Approving periodic reporting, including announcements of annual and half yearly results. – Declaring interim dividends and recommending dividends to the Company's shareholders for approval.
Communication	– Ensuring a satisfactory dialogue with the Company's shareholders based on the mutual understanding of objectives. – Ensuring a satisfactory dialogue with the Company's other major stakeholders, in particular the workforce.
Board and other appointments	– Approving changes to the structure, size and composition of, and appointments to, the Board and its committees. – Ensuring adequate succession planning for the Board and senior management. – Determining the independence of NEDs in light of their character, judgement and relationships.
Risk and internal controls	– Overseeing effective Group risk management and internal control processes. – Setting the Group's risk appetite and tolerance. – Periodically reviewing the Group risk strategy.
Remuneration	– Approving, following recommendation from the Remuneration Committee, the Group Remuneration Policy and approving, for submission to shareholders, the Directors' Remuneration Policy.
Structure and capital	– Approving changes relating to the Company's capital structure. – Approving the establishment of Medium Term Note and Commercial Paper programmes within the Group. – Approving any major changes to the Group's corporate or listed structure.
Delegation of authority	– Approving the delegation of responsibility between the chair, the CEO and other Executive Directors. – Establishing Board Committees and approving their terms of reference.
Other	– Approval of policies escalated by management. – Approving the overall levels of insurance for the Group, including Directors' and Officers' liability insurance and indemnification of Directors.

Board Committees
The Board has established an Audit Committee, a Nomination Committee, a Remuneration Committee and a Risk Committee. These Committees form the independent oversight of the GGF by the NEDs. The terms of reference for each of the Board's Committees are documented formally, approved by the Board and updated as necessary with this last taking place in December 2020. Each Committee Chair provides regular reports to the Board on the matters covered at each Committee meeting.

The role of each principal committee of the Board, together with details of the current Chair, are summarised in Figure 18 below.

B System of governance (continued)

B.1 General information on the system of governance (continued)

Figure 18: Summary of the role of Board Committees as at 31 December 2020

Committee	Role of Committee
Audit	Chair: Clare Thompson The Committee assists the Board in fulfilling its oversight responsibilities by: – Reviewing the effectiveness of the Group's system of internal financial controls, risk management framework and internal control systems. – Reviewing the financial statements of the Group and Company. – Reviewing and reporting to the Board on significant financial reporting issues and judgements. – Monitoring and reviewing internal audit independence, activities, plans, reports and findings. – Receiving and reviewing reports from the Company's external auditors. – Monitoring the effectiveness and independence of the external auditors and making recommendations to the Board in respect of their remuneration, appointment and dismissal. – Reviewing and recommending approval to the Board of material disclosures to the Group's main regulators, including Solvency II and Pillar 3 reports in respect of the Group and relevant subsidiaries for publication and submission. – Reviewing the robustness and adequacy of whistleblowing policies and procedures.
Remuneration	Chair: Robin Lawther (Clare Chapman from 15 March 2021) The Committee assists the Board with matters including but not limited to: – Establishing, approving and maintaining the principles and framework of the remuneration policies of the Group and ensuring compliance with those policies. – Determining the design, implementation and operation of remuneration arrangements, including, where relevant, benefits and pension arrangements, for the Chair, the Directors, members of senior management, "identified staff" for all remuneration regulations that apply to the Group, including Material Risk Takers and other individuals identified as Solvency II Staff[1] under remuneration regulations that apply to the Group, and individuals whose total annual remuneration exceeds an amount determined by the Remuneration Committee from time to time.
Nomination	Chair: Mike Evans (Interim Chair: Fiona Clutterbuck from 11 January 2021) The Committee assists the Board with: – Overseeing the composition of the Board and its Committees. – Assisted by HR, recruitment of new Board members. – Succession planning for the Board and its Committees. – Ensuring that new Directors have an induction and existing Directors maintain adequate knowledge about the Group. – Reviewing potential conflicts of interest in respect of Directors and advise the Board on management. – Taking an active role, together with HR and other management, with respect to the Group's diversity and inclusion strategy and associated objectives, including monitoring of their effectiveness.
Risk	Chair: Clive Adamson The Committee assists the Board in its oversight of risk, including but not limited to: – Advising the Board on the overall risk appetite, risk tolerances, and risk strategy, and reviewing the current and potential risks and mitigation strategies. – Reviewing the Risk Management Framework and systems, advising the Board on its overall effectiveness. – Approving the Group's risk policies and/or recommending to the Board the approval of risk policies. – Reviewing the effectiveness of internal models including stress testing. – Reviewing the annual Own Risk and Solvency Assessment (ORSA), and other regulatory disclosures for recommendation to the Board and overseeing the process of review and approval of the Internal Capital Adequacy Assessment Process (the "ICAAP") and any other ORSAs in the Group by the relevant subsidiary boards. – Advising the Remuneration Committee on risk and control issues that may impact remuneration strategy. – Overseeing the Group's procedures and policies for detecting fraud, preventing bribery and ensuring the Group complies with relevant regulatory and legal requirements.

[1] The PRA has defined these as Board members, Executive Committee members, Solvency II Key Function Holders ("KFHs"), Senior Manager Functions and Material Risk Takers.

The key functional control areas of Risk, Internal Audit, Compliance and Actuarial report to Board Committees in accordance with each Committee's terms of reference. It is the responsibility of the Audit Committee to review the resources of Internal Audit and Compliance through its review of annual plans and progress of their delivery during the year. The Actuarial function reports annually to the Risk Committee on the activities undertaken over the year and the Risk function reports on its activities on an ongoing basis to the Risk Committee. Further information on the key functions is given in Sections B.3 to B.6.

B System of governance (continued)

B.1 General information on the system of governance (continued)

B.1.4 Board Remuneration

Remuneration Committee and strategy

The Board has established a Remuneration Committee to ensure the alignment of the Remuneration Policy and structures across the Group with the Group's business strategy, risk management policies and appetite limits, conduct, culture and behaviours, sustainability and long-term interests of customers and shareholders. The Remuneration Committee's principal responsibilities are summarised in Figure 18 above. The members of the Remuneration Committee are all Independent NEDs.

The Group's remuneration strategy and policy is to have in place remuneration structures and processes that adhere to the following principles:

- Remuneration packages are appropriately positioned relative to the scope and complexity of the roles and relevant market benchmarks to attract, retain and motivate executives with the required skills and experience to deliver the Group's strategic objectives.
- Simple and transparent incentives provide clear alignment of objectives and performance with the Group's financial and non-financial strategic priorities.
- A strong focus on adherence to the Group's risk management policies and appetite limits to ensure performance is delivered in the long term interests of the company, customers and shareholders.
- Balancing the interest of shareholders and customers through the combination of performance measures adopted in the incentive schemes that mitigate the risk of conflicts of interest.
- Strong alignment between remuneration and the long-term interests of the Group through a significant proportion of executive packages being delivered in shares for three-five years, a shareholding requirement policy and 2-year post employment shareholding requirement policy.
- Key focus on positive customer outcomes and quality of customer engagement.
- Support for the Group's purpose and values to build a safe, respectful and inclusive culture through remuneration policies and schemes that promote and reward good conduct and behaviours for the benefit of our customers and colleagues.
- Promotion of a positive culture for employees and customers with demonstrable alignment to remuneration outcomes where our standards for conduct and behaviours are not met, including a robust individual performance assessment process and malus and claw back policy.

The Group's first Directors' Remuneration Policy was approved by shareholders in May 2020 for a 3-year period from 1 January 2020. Any future changes to the Policy are subject to shareholder consultation and approval prior to implementation.

Remuneration architecture

Remuneration structures are aligned to the Group's purpose and values, with clear linkage to the successful delivery of the Group's short and long-term strategic goals. Both fixed and variable remuneration is assessed against market data and internal benchmarks on an annual basis. Total remuneration is balanced so that the fixed component represents a sufficiently high proportion to avoid employees being overly dependent on the variable components, mitigating the risk of inappropriate behaviours to the detriment of customer outcomes.

Variable remuneration may comprise short-term incentives (i.e. annual bonus, sales incentives for sales staff) and long-term incentive plan ("LTIP") awards.

Short-term incentives are determined by reference to a combination of financial and non-financial measures and individual performance objectives reflecting the level, nature and scope of an individual's role and the practice in the market in which the Group operates. Individual incentive outcomes must transparently reflect individual performance in accordance with the Group's performance management policy and process, adherence to risk management policies and conduct and behaviour, including reference to customer impacts and culture/values. The Group operates a discretionary short-term incentive policy, including the possibility of not paying an incentive, based on financial, non-financial and individual objectives criteria.

Short-term incentives are subject to the Group's deferral policy, with deferred awards granted over M&G plc shares and subject to malus during the vesting period.

The Group does not allow the award of discretionary pension benefits. The Group's defined benefit schemes are closed to new members.

Remuneration for NEDs and the Chair

The remuneration of NEDs is determined in accordance with the Company's Articles of Association. Levels of remuneration for the Chair and all NEDs reflect the time commitment and responsibilities of the role.

All NEDs receive a basic fee for their duties as a Board member. The Chair additionally receives medical cover for himself and spouse/partner. The basic and any additional fees payable are periodically reviewed against market data, the time commitment and other requirements of the role. NEDs are not eligible to participate in short-term and long-term incentive plans and do not receive a pension allowance or participate in employee pension schemes. Travel and business expenses incurred in the normal course of business, for example, in relation to attendance at Board and committee meetings, are met by the Company, including any tax liabilities arising in relation to such business expenses.

Remuneration governance

Governance processes provide robust and independent oversight of reward and effective management of any potential conflicts of interest. The design and operation of all remuneration policies and incentive schemes must be aligned with the Company's risk management principles and policies through the appropriate use of performance measures and targets and the discretion to adjust outcomes to reflect risk, compliance and conduct events.

The Risk Committee provides independent input to the Remuneration Committee to help with the assessment of scheme design and outcomes to ensure that they are consistent with these principles and policies. A formal risk and compliance report, compiled by the CRRO and approved by the Risk Committee is submitted to the Committee annually to provide an assessment of:

B System of governance (continued)

B.1 General information on the system of governance (continued)

- The appropriateness of scheme design for the coming year.
- The effectiveness of the risk and control environment, material events and specific conduct and compliance issues over the 1 and 3 year performance periods of awards to enable the Remuneration Committee to determine if the outcome of schemes is appropriate or if any adjustments should be applied at scheme or individual level.

Input from the report is also used to assess whether there have been any events that warrant the consideration of malus and/or claw back on previously determined awards.

B.1.5 Material transactions with directors and shareholders

Transactions with key management personnel

Key management personnel may from time to time purchase insurance, asset management or annuity products marketed by the Group companies in the ordinary course of business on substantially the same terms as those prevailing at the time for comparable transactions with other persons.

In accordance with the Companies Act 2006, directors are required to disclose any transactions that may represent a conflict of interest to their roles.

In 2020, no such transactions have been disclosed.

Transactions with shareholders

Transactions with shareholders are described in Section A 1.4.5.

Compensation of key management personnel

The members of the Executive Committee, are deemed to have power to influence the direction, planning and control the activities of the Group, and hence are also considered to be key management personnel. Figure 19 below provides a summary of compensation of key management personnel.

Figure 19: Compensation of key management personnel

	For the year ended 31 December	
	2020	2019
	£m	£m
Salaries and short-term benefits	**11.7**	11.1
Post-employment benefits	**0.6**	0.6
Share-based payments	**4.0**	5.9
Total	**16.3**	17.6

B.2 Fit and proper requirements

The Group ensures that Senior Managers are fit and proper to undertake their role through the implementation of a Fit and Proper Policy. The Fit and Proper Policy applies to:

- All persons approved by the PRA and/or FCA as holding SMFs including approved NEDs.
- All persons defined as Key Function Holders ("KFHs") and notified to the regulator.
- All persons defined as standard NEDs and notified to the regulator.
- All persons defined as holding a Certification Function.

There is an annual certification exercise to demonstrate compliance with the GGF, which includes the Fit and Proper Policy, and the system of internal control.

B.2.1 Fit and proper criteria

All individuals to whom the Fit and Proper Policy applies fulfil the following requirements:

- Competence and capability, i.e. that they have the necessary skills to carry out the function they are to perform.
- Financial soundness.
- Propriety, including adherence to conduct rules.

There are five conduct rules which apply to all staff:

- Acting with integrity.
- Acting with due skill, care and diligence.
- Being open and cooperative with regulators.
- Paying due regard to the interest of customers.
- Observing proper standards of market conduct.

There are an additional three conduct rules that apply to SMFs, requiring Senior Managers to:

- Take reasonable steps to ensure that the business of the firm within the function is controlled effectively.
- Take reasonable steps to ensure that the business of the firm within the function complies with relevant regulatory requirements and standards.
- Ensure that where responsibilities are delegated, the delegation is to an appropriate person and is effectively overseen.

There is a further rule which applies to SMFs and NEDs, requiring any information of which the PRA or FCA would reasonably expect to be notified, to be appropriately disclosed.

B System of governance (continued)

B.2 Fit and proper requirements (continued)

B.2.2 Fit and proper assessment

The Group has processes for assessing the fitness and propriety of persons covered under the Fit and Proper Policy, in order that:

- during the recruitment phase and before any regulatory application is made an assessment of the person's fitness is conducted, including:
  - Professional and formal qualifications.
  - Knowledge and relevant experience.
  - Basic criminology disclosure ("DBS") check.
  - Credit check.
  - Regulatory references.
- the ongoing fitness and propriety of relevant individuals is assessed (at least annually), including:
  - Self-disclosure questionnaires.
  - Sample DBS/credit checks (ensuring full coverage on a rolling three year cycle).
  - An assessment of competency and capability to fulfil the role.
  - An assessment of compliance with the conduct rules.

The Group will notify the PRA and FCA of any change in the fit and proper status of SMFs (including, should instances arise, where individuals have been replaced because they are no longer fit and proper), and of any breaches to conduct rules by SMFs and certified individuals.

B.3 Risk management system including the Own Risk and Solvency Assessment

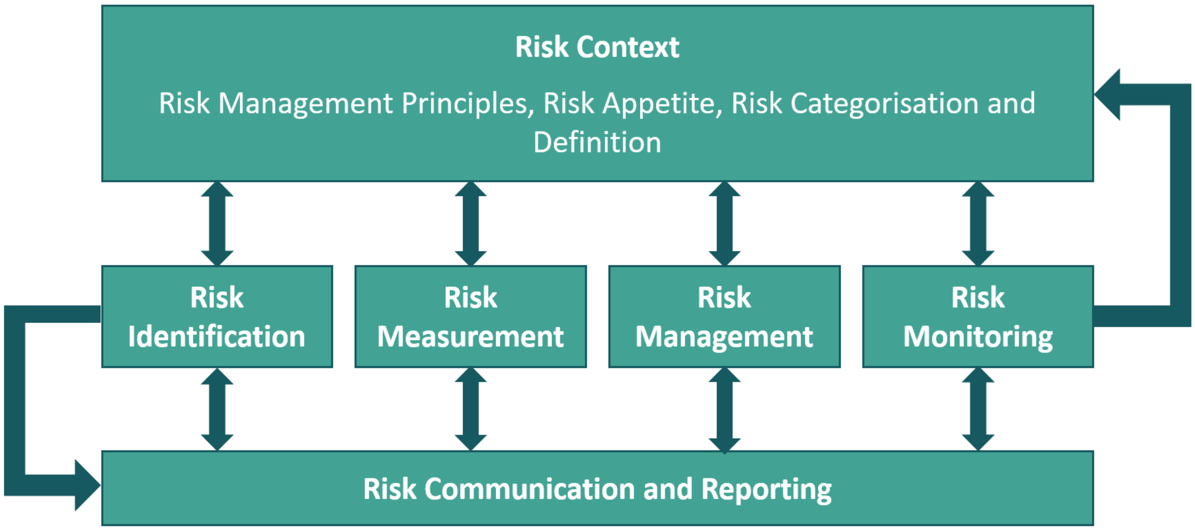
B.3.1 Risk governance and the risk management framework

Risk is defined as the uncertainty the Group faces in successfully implementing its strategies and objectives. This includes all internal and external events, acts or omissions that have the potential to threaten the success of the Group or the interests of its customers. As part of the Group's business operations, it takes on risks on behalf of shareholders and customers. The Group generates shareholder value by selectively taking exposure to risks where such risks are adequately rewarded, and can be appropriately quantified and managed to safeguard the Group's ability to meet commitments to customers, comply with regulations, and protect its reputation.

To assist the Board in discharging its responsibilities, the Group has a comprehensive approach to identifying, measuring, managing, monitoring and reporting risks ('the risk management cycle'), supported by an embedded risk culture and strong risk governance. This is set out in the Group's RMF.

The RMF is designed to manage risk within agreed appetite levels which are aligned to delivering the Group strategy for shareholders and customers.

Figure 20: Risk Management Cycle



The key components of the RMF are described below.

B.3.1.1 Risk culture

Culture is a strategic priority of the Board, which recognises the importance of good culture in the way that the Group does business. Risk culture is a subset of broader organisational culture, which shapes the organisation-wide values that are used to prioritise risk management behaviours and practices.

The responsibility for instilling an appropriate corporate risk culture within the Group lies with the Board which, together with senior management, promotes a responsible culture of risk management in four main ways:

- By the leadership and behaviours demonstrated by management.
- By requiring individuals to take responsibility for managing risk.
- By building skills and capabilities to support risk management.
- By emphasising the importance of risk management in business decisions.

B System of governance (continued)

B.3 Risk management system including the Own Risk and Solvency Assessment (continued)

B.3.1.2 Risk committees

The Group's risk governance comprises the organisational structures, reporting relationships, delegations of authority and roles and responsibilities that the Group establishes to make decisions and control activities on risk-related matters. This encompasses individuals, key functions and committees involved in the management of risk.

The Risk Committee supports the Board in relation to these matters by providing leadership, direction and oversight of the Group's overall risk appetite in addition to guidance on risk tolerance and strategy. The Committee oversees and advises the Board on the current and potential future risk exposures of the Group, ensuring compliance with the RMF, monitoring its effectiveness and adherence to the various risk policies. The Risk Committee also supports the Board and management in embedding and maintaining a supportive culture in relation to the management of risk. The Audit Committee assists the Board in meeting its responsibilities for the integrity of the Group's financial reporting, including its obligations for the effectiveness of the Group's internal controls and risk management systems. The responsibilities of the Risk Committee and Audit Committee are set out in Figure 17 in Section B.1.3.

In addition, there are various executive risk forums to ensure risk issues are considered and escalated appropriately. In particular, the Executive Risk Committee ("ERC"), is responsible for reviewing and considering specific risk and compliance matters and collectively offering its approval or providing support or advice to the CRRO and the Director of Public Policy and Regulation ("DPPR"). This includes oversight of the RMF and risk and compliance policies, the ORSA, and validation of the Internal Model. In addition, the committee provides oversight and monitoring of key risk exposures against appetite and the internal control environment.

Matters are escalated to the Risk Committee by the ERC's Chairs, the CRRO and DPPR, where appropriate to do so.

The Executive Governance Structure of the Group was reviewed in 2020, and the following key principles set in relation to the ERC (and other Executive Committees):

- The Committee is aligned under an individual Group Executive Committee member (the CRRO) and is not a committee of a legal entity or sub-committee of the Executive Committee.
- The Committee can give collective approvals to support decision-making by individuals or boards.
- The Committee can support multiple legal entities in the Group.

The system of internal control, including risk management, is based on the principles of 'Three Lines of Defence': 1) risk identification and management, 2) risk oversight, advice and challenge, and 3) independent assurance.

First line business areas identify and manage risks and are overseen by the second line Risk and Compliance functions. The second line Risk and Compliance functions are structurally independent of the first line, providing risk oversight, advice and challenge, as well as compliance and monitoring and assurance. Third line Internal Audit is empowered by the Audit Committee to audit the design and effectiveness of internal controls, including the risk management system.

Figure 21: Three Lines of Defence

Line of Defence:	First Line	Second Line	Third Line
Responsibility:	Risk Identification and Management	Oversight, Advice and Challenge	Assurance
	Be Accountable	Be Objective	Be Independent
Activity:	• Identify, own, manage and report risks • Execute business plan and strategy • Establish and maintain controls • Stress / scenario modelling • Operate within systems and controls • Ongoing self-assessment of control environment effectiveness	• Owner of Risk and Compliance Framework • Stress / scenario setting and oversight • Regulatory liaison • Proactive and Reactive Advice and guidance • Risk and Compliance monitoring and assurance of first line activities • Risk and Compliance reporting	• Independent assurance of first line and second line • Independent third line thematic reviews and risk and controls assessment

B.3.1.3 Risk categorisation and policies

The RMF is structured around a set of defined risks which serves as a reference point for the Group-wide application of the risk management cycle, in terms of risk policies, standards, risk appetite statements, limits and controls. Risk categories are prescribed at a minimum of two levels across the risk universe, and are consistent with the set of model inputs ('risk drivers') used in the Solvency II Internal Model. Risk policies are in place for all material risk categories.

Risk policies set out specific requirements to be applied in the management of each risk type. Policy requirements are typically principles based, and seek to address fundamental concepts rather than operational procedures. This allows business users to determine how to comply with the requirements in the most appropriate way for their part of the business commensurate with the level of risk. Risk policy requirements are attested to as part of the GGF and RMF annual attestation exercise.

B System of governance (continued)

B.3 Risk management system including the Own Risk and Solvency Assessment (continued)

B.3.1.4 Risk appetite and limits

The Group's risk appetite and tolerance to take on risk is specified through risk appetite statements and limits that are aligned to, and reviewed with respect to, its business model and strategy. Risk appetite is the amount and type of risk the Group is willing to accept in pursuit of its business objectives.

The Group has established aggregate risk appetite statements and limits for capital (regulatory and economic), liquidity and dividend volatility. The capital risk appetite is supported by a solvency intervention ladder which sets out management actions for implementation or consideration at different levels of regulatory solvency. The Group's expected ability to stay within appetite is assessed during the annual business planning process, with the actual position monitored and managed regularly throughout the year.

Risk appetite statements and accompanying limits are also in place for significant individual risks, including a comprehensive Group Approved Limits Framework ("GALF"). In combination, the individual appetite statements and limits are set such that the Group operates in line with the aggregate approved risk appetite statements even when the individual limits are fully utilised.

Risk exposures are monitored against appetite and, together with limit utilisation, form a core element of risk reporting to Board and Executive Risk Committees. Prescribed forward looking indicators are used to help inform whether a risk may move outside of a limit together with appropriate management actions.

B.3.1.5 The risk management cycle

As set out in Figure 20, the risk management cycle is the ongoing process of identifying, measuring, managing, monitoring and reporting the risks to which the business is exposed in the context that it operates.

(i) Risk context

The Group articulates risk management principles, and sets the risk appetite statements, limits and triggers by which risk will be assessed and managed to set the context for risk management throughout the organisation. When establishing the context, the Group considers both the external and internal environment.

(ii) Risk identification

Risk identification is derived through a number of processes, in particular the annual top-down, emerging and bottom-up risk identification processes, supported by an annual exercise of stress and scenario testing to assess the magnitude of risks. Each of these is designed to identify and assess risk from a different perspective to form an overall understanding of the Group's risk profile and how it has and is expected to evolve.

(iii) Risk measurement

Risks are measured using appropriate metrics as defined in the setting of risk appetite limits and indicators. Point-in-time measures are supplemented by quarterly sensitivities and stress and scenario testing. Reverse stress testing is also used to provide management with information on the resilience of the Group's balance sheet and sustainability of its profitability.

Operational and organisational risks are less easily quantifiable; however a risk incident (Notifiable Events) process is in place to ensure that risk events are identified, assessed and managed in a timely manner. For all material incidents (whether losses, gains or near misses), a lessons learned exercise is carried out.

(iv) Risk management

Risks are evaluated, treated and managed against the defined risk appetite limits and indicators in order to establish whether the business is operating within risk appetite. Where risk appetite is exceeded, or close to being exceeded, management are expected to take action to appropriately treat the risk through mitigation, transfer, or avoidance, or to formally accept the risk. Key investment decisions and projects are subject to detailed risk reviews and go/no go decisions which fully consider all relevant risks and the Risk function's risk opinion. The resilience of the business and its ability to respond to and recover from major incidents is also regularly tested.

(v) Risk monitoring

Risk monitoring is an ongoing process to track the status of risks and is undertaken by both risk owners and through oversight and assurance activities undertaken by the Risk, Compliance and Internal Audit functions (for example, limits and transactions monitoring, assurance and lessons learned reviews, model validation reviews, risk deep dives and regulatory compliance monitoring).

(vi) Risk communication and reporting

To ensure timely and appropriate decision making, the Board, its Committees and senior management are provided with accurate and timely risk reports and management information, including:

- Regular management information, driven off and aligned to the top-down risk identification process, prepared by the Risk function on behalf of the CRRO, which is presented to the Board and Executive Risk Committees to enable oversight of such risks on an ongoing basis.
- ORSA reporting, further details of which are contained in Section B.3.4.
- ICAAP reporting, relating to M&G Group Limited and Investment Funds Direct Limited.

Further information on the management of significant risks to which the Group is exposed is set out in Section C.

B System of governance (continued)

B.3 Risk management system including the Own Risk and Solvency Assessment (continued)

B.3.2 The Risk function

Within the three lines of defence model, the Risk function is part of the 2nd line and is responsible for risk oversight. The Risk function assists the Board to formulate and implement the approved GALF, risk management plans, risk policies, risk reporting and risk identification processes. Whilst the 1st line has responsibility for risk identification and management, any risks taken are constrained within clear parameters set by Risk. The Risk function also monitors and assesses the risk taking activities of the 1st line, challenging, where appropriate, the actions taken to manage and control risks and approving any significant changes to controls.

The Risk function's responsibilities include, but are not limited to:

- Coordinating the identification and assessment of key risks to establish the risk profile used as a basis for setting qualitative risk appetite statements and quantitative limits, and the management information received by Risk Committees and the Board.
- Independently monitoring and reporting that risk exposures are managed within appetite and limits and in line with specified parameters and policies, with regular Risk MI, including on Top Risks, to relevant boards and committees.
- Providing overall coordination and oversight of risk management processes and systems.
- Supporting the Board and management in embedding and maintaining a supportive culture in relation to risk management.
- Testing the Group's internal controls and procedures for financial reporting.
- Overseeing and validating that the development of the Internal Model is within the framework of model governance and remains fit for purpose.
- Providing input and review of public and regulatory disclosures.
- Performing the ORSA, production and reporting of the ICAAP for M&G Group Limited and Ascentric, risk assessing the business plan, undertaking stress and scenario testing including Reverse Stress Testing, and informing the key areas of risk based decision making.

In order to fulfil these responsibilities, the Risk function liaises with other functions (including Actuarial, Internal Audit and Compliance), to provide technical expertise and advice throughout the risk management cycle. The Risk function is also subject to an annual effectiveness review.

B.3.3 Internal model

The Solvency II Internal Model is a key risk management tool and refers to the systems and processes used to identify, monitor and quantify risks for the purpose of calculating the Solvency II capital requirement ('SCR', 'Pillar 1') and management's own assessment of economic capital ('ECap', 'Pillar 2') requirements.

To ensure that the Internal Model is, and continues to be, suitable to support this assessment of risk and capital, the Group has implemented a governance and control framework in relation to:

- Model use: to provide assurance that the model is widely used in the business, playing an important role in the system of governance and decision-making processes.
- Model change: where changes to the Internal Model are required (e.g. due to a new risk, in response to regulatory feedback or a change in industry practice), these are implemented in a consistent and controlled manner with consideration of any potential implications.
- Model documentation: the Internal Model documentation outlines the data, methodology, assumptions and judgements within the model, including highlighting the circumstances where the Model does not work effectively. This allows those relying on the model output to determine whether the key features of the model are reasonable.
- Model validation: to confirm that the capital requirements resulting from the Internal Model remain appropriate and provide assurance as to the reliability of the Internal Model to Senior Management and the Board. The Model Risk and Validation team within the Risk function provides independent assurance that the Internal Model remains fit for purpose and compliant, in all material respects, with all applicable rules through a risk-based programme of assurance activity, which also acts as an incentive for the model's ongoing improvement.

The Internal Model Governance Framework is implemented in accordance with the Internal Model Risk Policy which, in turn, is aligned with the relevant requirements of the Solvency II Directive. Further policies, operational standards and governance committees support the application of the Internal Model Risk Policy.

The Internal Model Governance Oversight Committee ("IMGOC") and the Technical Actuarial Committee ("TAC") have responsibility for ensuring that the Internal Model is, and continues to be, suitable to support the assessment of risk and capital and that it complies with all regulatory requirements. The IMGOC is responsible for the overall governance and oversight of the Internal Model. The TAC is responsible for setting the methodology for valuing the Group's capital requirements and for informing decisions on assumptions. The IMGOC and TAC are chaired by the Prudential UK CRO and the Chief Actuary respectively and report to the Board and Risk Committees as necessary on matters relating to the Internal Model.

There have been no material changes to the internal model governance over 2020.

B System of governance (continued)

B.3 Risk management system including the Own Risk and Solvency Assessment (continued)

B.3.4 Own Risk and Solvency Assessment

The ORSA is the Group's ongoing processes for identifying, assessing, controlling, monitoring and reporting the risks to which the business is exposed, and of assessing the own funds necessary to ensure that the Group's solvency needs are met at all times. Risk appetite and limits are the key controls that apply on the current and future risk profile, as a result of the Group's strategy and business plan, and ensure that the Group complies with its solvency requirements on a continuous basis under a reasonable range of scenarios. This process is documented and evidenced through an ORSA report.

The entirety of the ORSA processes are undertaken at least annually with a subset (in particular, those making up the risk management cycle) performed on a continuous basis as part of normal day-to-day risk management activity. An ad hoc ORSA may be triggered by a material change in the Group’s risk profile with specific circumstances that could trigger an ad hoc ORSA being set out in the ORSA Policy. Where a trigger is activated, the CRRO will decide on which ORSA processes are required to be performed and reported, including whether a revised ORSA report, or equivalent, is required.

The ORSA report includes a current and forward looking assessment of both the capital and solvency position as well as the risk profile of the Group, providing the means to understand the links between strategy, risk and capital. It combines the analysis performed by, and the outcomes of, the ongoing risk and capital management processes that are embedded and which have been reviewed by various Board and Executive Committees. It also provides a quantitative and qualitative assessment of the Group's risk profile and solvency needs on a forward looking basis incorporating the Group's strategy and business plan, including appropriate stress and scenario testing (including reverse stress testing). The scope of the ORSA report covers all the known risks of the Group.

The Risk Function is responsible for the preparation of the ORSA report with input from key stakeholders as set out in Figure 22 below. Embedding of the ORSA drives the top-down understanding of risks to the Group and ensures the central focus of the Internal Model in decision making.

Figure 22: High level overview of ORSA responsibilities

Stakeholder	Roles/ Responsibilities
Board	Ownership and oversight of ORSA processes; steer the processes and embed the outcomes of the processes into the overall decision making framework; approve the ORSA report.
Risk Committee	Approve the proposed ORSA stress and scenario testing, and review and recommend the ORSA report to the Board for approval.
ERC	Review the proposed ORSA stress and scenario testing and the ORSA report prior to submission to the Risk Committee.
CRRO	Ownership of the ORSA report.
Risk	Preparation of the ORSA report in collaboration with functional areas.
Finance	Preparation of quantitative inputs to the ORSA report.

B.4 Internal control system

B.4.1 Overview

The Group's system of internal control, as set out in the GGF, has a key role in the management of risks that are significant to the fulfilment of its business objectives. The purpose of the internal control system is to set the parameters and procedures that ensure the effectiveness and efficiency of operations, and the reliability of reporting (both internal and external) and that help deliver the business strategy in a controlled way, meeting regulatory and other requirements. The key elements of the internal control system are:

- Matters reserved for the Board: approval of strategic decisions, subject to the GGF, including approving the Group’s risk strategy, together with the setting of risk appetites and tolerances, is reserved for the Board.
- Management/Delegated Authority: the Group is managed in accordance with the authority delegated by the Board.
- Lines of Responsibility: Senior Managers have clearly defined lines of responsibility for their function and delegated authority.
- Appropriate Recording: transactions are appropriately recorded to permit the preparation of reliable financial statements.
- Financial Reporting Control Procedures and Systems: the internal control over the financial reporting environment includes procedures and systems which are regularly reviewed.
- Protection of Assets: the assets of the Group and its customers are appropriately protected.
- Financial Crime (Fraud and Money Laundering): financial crime is prevented or detected.
- Risk Management: the risks to which the Group is exposed are identified and managed.

In December 2019 a new Integrated Control Framework was approved by the Board with the aim of implementing a single consistent enterprise-wide control framework with enhanced analytics and a clear focus on the most material controls. The framework is underpinned by industry-leading Governance, Internal Audit, Risk and Compliance software and an enhanced Operational Risk Framework, which establishes requirements for Risk & Control Self-Assessments ("RCSA") to be completed and reviewed on at least a quarterly basis throughout the Group. This Framework is supported by the Group-wide “I Am Managing Risk” campaign.

The Audit Committee, in conjunction with the Risk Committee, reviews the adequacy and effectiveness of the internal control systems, prior to review by the Board. This review is supported by the assurance work carried out by Internal Audit, Risk and Compliance.

B System of governance (continued)

B.4 Internal control system (continued)

B.4.2 Compliance function

Like the Risk function, the Compliance function is structurally independent of the 1st Line. It provides dedicated support for, and co-ordination of regulatory interactions across the business. The function also provides guidance, advice and feedback on regulation (current and future regulatory developments), as well as setting and advising on compliance standards and implementing a framework to ensure that conflicts are adequately identified, managed and overseen by the business. Routine monitoring and deep dive activities are carried out to assess compliance with regulatory principles, rules and expectations. The Compliance function reports to the DPPR, with the annual subsidiary Compliance Plan and required resources agreed by each subsidiary Audit Committee and noted by the Group Audit Committee.

The GGF includes the Regulatory Compliance Risk Policy, Conduct Risk Policy and the Conflicts of Interest Policy, which set out the principles and minimum requirements by which the Group conducts its business and the management of any conflicts of interest. Compliance policies are reviewed and attested to annually.

The policies support the implementation of the Group's risk management principles through requirements to:

- Have an effective risk culture, promote appropriate conduct and deploy adequate and appropriate training, skills and resources in respect of regulatory compliance risk management.
- Maintain an appropriate and transparent organisational structure with clear allocation of responsibilities and delegated authorities for the management of regulatory compliance risk.
- Operate an effective risk management cycle to identify, measure, manage, monitor and report on regulatory compliance risks on an on-going basis.
- Consider risk for individual conduct risks as well as the conduct risk profile in aggregate.
- Embed conduct risk management within the culture and thinking of all employees.
- Maintain a business that is compliant with applicable laws and regulatory rules and principles, such as Treating Customers Fairly and FCA principles for business.
- Ensure that the Group complies with regulations that result from regulatory and business changes.
- Maintain honest, constructive and open relationships with governments and regulators.
- Identify, report and manage conflicts of interest to protect the interests of the Group's customers, clients, investors, employees and the Group.

B.5 Internal Audit function

Internal Audit operates as the third line of defence in the three lines of defence model, providing independent and objective assurance to the Board and Executive management on the adequacy of the design and effectiveness of the organisation's systems of internal control, including risk management, governance and operational processes, thereby helping the Board and Senior Management protect the assets, reputation and future sustainability of the Group.

Internal Audit is not restricted in scope in any way, is empowered by the Audit Committee to audit all parts of the Group and has full access to any of the organisation's records, physical properties and personnel as necessary to discharge its responsibilities. In executing its responsibilities Internal Audit adheres to:

- The Institute of Internal Auditors requirements as set out in the Institute of Internal Audit's 'Code of Ethics' and 'International Standards for the Professional Practice of Internal Auditing'.
- The Chartered Institute of Internal Auditor's guidance on 'Effective Internal Audit in the Financial Services Sector' (CIIA Code) as well as the European Confederation of Institutes of Internal Audit (ECIIA) principal requirements for Internal Audit Functions in Insurance Companies under the Solvency II framework.
- The International Association of Insurance Supervisors (IAIS) Core Principles.
- The requirements for Internal Audit Functions set out in the Solvency II Directive 2009/138/EC (Level 1 text) Article 47 and Delegated Regulation (EU) 2015/35 (Level 2 text) Article 271.
- The requirements of the SMCR and the Fit and Proper Policy.

B System of governance (continued)

B.5 Internal Audit function (continued)

Internal Audit has sufficient standing and authority within the Group to carry out its activities, supported by the following reporting lines in place to maintain Internal Audit's independence and objectivity in the discharge of its responsibilities:

- In accordance with the Internal Audit Charter, the Group has an Internal Audit team, led by the Chief Audit Officer ("CAO") as functional head, with a direct reporting line to the Audit Committee and an administrative reporting line to the Group CEO. The CAO also has direct access to the Chair of the Board and Chair of the Audit Committee and will periodically meet with the Audit Committee without the presence of management.
- It is the responsibility of the CAO to deliver the mandate of Internal Audit, as set by the Audit Committee, supported by the Audit Directors for M&G Investments and PAC. The CAO reports all audit related matters to the Audit Committee and the relevant subsidiary Audit Committees and periodically assesses and reports on the continued adequacy of the function's mandate, independence, objectivity, authority, responsibility and technical experience to enable it to accomplish its objectives. The business area Audit Directors report to the respective Audit Committee Chair and the CAO, as functional head, with the CAO considering the independence, objectivity and tenure of the Audit Directors when performing their appraisals.
- The CAO is empowered to attend and observe all or part of Executive Committee meetings and any other key management decision making forums as appropriate.
- The Chief Operations Officer for Internal Audit, who is independent of the audit delivery team, monitors and evaluates the function's adherence with all relevant Internal Audit standards of practice and audit methodology. The results of these assessments are presented directly to the M&G plc and business area Audit Committees. An independent external assessment of the Internal Audit function is performed every 5 years in line with Internal Audit standards.
- The assessment of the adequacy and effectiveness of the Risk, Compliance and Finance functions is within the scope of Internal Audit. As such, Internal Audit is independent of these functions and is neither responsible for, nor part of, them.
- All Internal Audit personnel exhibit the highest level of professional objectivity in carrying out their duties, make a balanced assessment of all relevant circumstances, remain impartial and seek to avoid any professional or personal conflict of interest. Internal Audit has no direct operational responsibility or authority over any business activity or personnel outside of the function.
- Like all areas, Internal Audit maintains a conflicts of interest register. Potential conflicts are recorded and monitored by the Chief Operations Officer for Internal Audit, including a quarterly review of reported conflicts to assess appropriate management oversight.

B.6 Actuarial function

There is a Group Head of Actuarial Function ("GHAF"), who is also the Chief Actuary for PAC, which is a PRA SMF role under the SMCR. The Chief Actuary team within the Risk function, and specified individuals within the wider business, are responsible for carrying out the tasks of the Actuarial function on behalf of the GHAF.

The need for, and the scope of, the Actuarial function is defined in Article 48 of the Solvency II Directive. This sets out the tasks that the Actuarial function is responsible for. In addition to the tasks defined in Article 48, the CRRO, as the head of the Risk function, has delegated a number of the risk management responsibilities to the GHAF, in particular, oversight of the calibration and calculation of the SCR. This ensures that the Actuarial function is embedded in the key stages of the risk management system in relation to the calculation of capital requirements. The primary activities undertaken by the Actuarial function to meet its responsibilities are summarised below.

Valuation of technical provisions

The Finance function proposes the valuation methodology and assumptions, and calculates the technical provisions. The GHAF reviews the valuation methodology and assumptions, the models and data used in the calculation of the technical provisions and the resulting technical provisions and advises the Audit Committee and Risk Committee accordingly. The report to these committees constitutes a component report of the overall Actuarial Function Report.

Underwriting

The GHAF reviews and advises on all aspects of the underwriting arrangements on an ongoing basis. In addition, the GHAF carries out an annual review of such arrangements focusing on different aspects each year depending on previous reviews, recent business activities and any particular issues that he wishes to review further. The GHAF provides an annual report to the Risk Committee expressing an opinion on the underwriting policy, identifying any deficiencies and providing recommendations. This constitutes a component report of the overall Actuarial Function Report.

Reinsurance arrangements

The GHAF reviews and advises on the reinsurance arrangements on an ongoing basis. In addition, the GHAF carries out an annual review of the reinsurance policy, focusing on different aspects each year, depending on previous reviews, recent business activities and any particular issues that the GHAF wishes to review further. The GHAF provides an annual report to the Risk Committee expressing an opinion on the adequacy of the reinsurance arrangements, identifying any deficiencies and providing recommendations. This constitutes a component report of the overall Actuarial Function Report.

Capital requirements

The Finance function proposes the valuation methodology and assumptions and calculates the SCR. The GHAF reviews the valuation methodology and assumptions and the resulting SCR and advises the Audit Committee accordingly. The GHAF also chairs the TAC, the internal management committee with responsibility for internal capital model methodology and assumptions.

Actuarial Function Report

The GHAF provides a written report to the Risk Committee, at least annually, to document the tasks that have been undertaken by the Actuarial function and their results, to identify any deficiencies and provide recommendations as to how such deficiencies should be remedied. This report summarises the tasks described above and highlights the key areas of focus following the Actuarial function's activities each year.

B System of governance (continued)

B.7 Outsourcing

The Group continues to rely upon third party supplier and outsource partner arrangements, allowing it to focus on its core business strengths, reduce costs and manage its delivery risks. The Group recognises that the use of third party supplier and outsource partner arrangements can impact its risk profile, for example, where a material third party fails to provide a service, and there is the subsequent potential for significant interruption to business operations, poor customer outcomes, liability for losses and costs, reputational damage and regulatory breaches. The Group and its legal entities retain ultimate responsibility for any activity that is supplied or outsourced.

Outsourcing partners, in the UK and India, provide various business operations, including a significant part of the back office and customer facing operations as well as a number of IT support functions, systems and services, and investment operations, including but not limited to, transfer agency, fund accounting and custody.

Material intra-group outsourcing arrangements for the year ended 31 December 2020 primarily comprise fund/asset management provided by M&G Investments and treasury services provided by Prudential Capital plc ("PruCap"), primarily to the Group's insurance undertakings. A range of services (including finance and capital management, compliance, risk, HR, actuarial, internal audit and IT services) are also provided across the Group on a shared service basis. Prudential Distribution Limited acts as the main employment company for staff in the UK, and is also the principal company through which group-wide contracts for the supply of goods and services are placed.

A Third Party Risk Management Policy is used to manage third party risk across the Group. The approach set out in the policy addresses third party risks through the framework of a risk management lifecycle, including requirements to:

- Consistently identify and categorise areas of third party risks.
- Incorporate third party arrangements into strategic and operational business planning.
- Consistently assess third party risks in line with applicable policies, standards and procedures.
- Utilise scenario analysis to assess the impact and consequences of third party failures on operational resilience and continuing viability, with risk assessments linking the potential impact of risks to customer outcomes.
- Monitor the third party risk profile relative to risk appetite.
- Disclose applicable third party risks in financial reporting and to other relevant stakeholders.
- Regularly inform relevant Boards and Risk Committees of the aggregated third party risk profile, policy compliance and associated regulatory requirements.

B.8 Any other information

The Audit Committee has considered the outcome of the risk management and internal control effectiveness review for 2020 which covered all material controls, including financial, operational and compliance controls, and the impact of the COVID-19 pandemic on the control environment. The review identified a number of actions to further enhance the risk management system and strengthen the overall control environment, with a particular focus on further embedding the new consolidated risk and control frameworks put in place across the Group over 2020.

The Risk and Audit Committees at Group and subsidiary level collectively monitor outstanding actions and embedding plans in these and other areas, and ensure sufficient resource and focus is in place to resolve such actions within a reasonable timeframe.

C Risk profile (Unaudited)

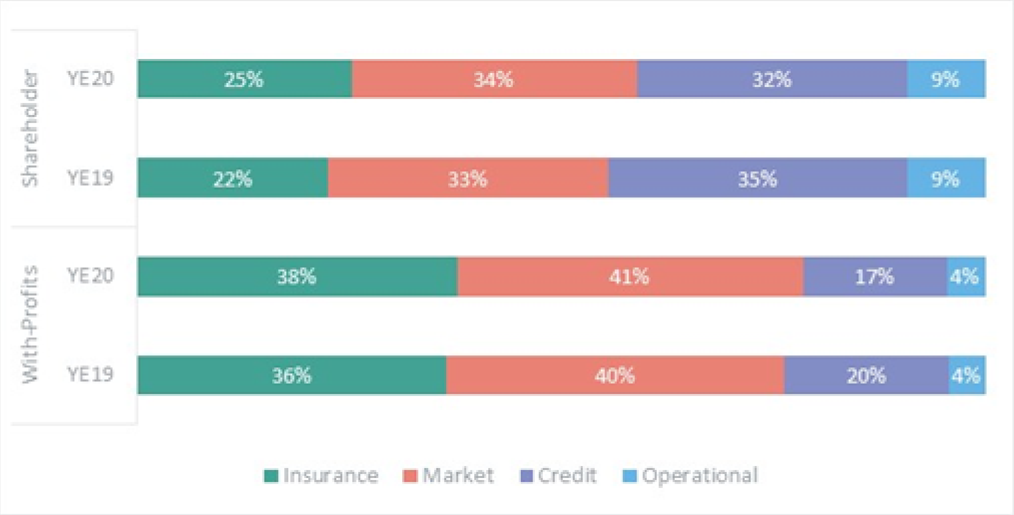
Under the Solvency II regime, companies are required to calculate capital requirements in line with Solvency II regulations. Companies are also required to form their own internal assessment of the capital needed to ensure that they can meet liabilities as they fall due, allowing for the risks that they retain ("ECAP", "Pillar 2"). For the Group, the Solvency II Pillar 1 regulatory capital requirements are more prudent than the internal assessment.

The Group's Solvency II Pillar 1 valuation is produced for the Group as a whole (the regulatory view). However, for internal business and risk management purposes, separate valuations are produced for the Group's shareholder-backed exposures and the business in the ring-fenced With-Profits Fund.

The Group's Solvency II capital requirements are calculated using its Internal Model, which is based on the Group's assessment of the risks it faces. PAC is the dominant driver of the Group's shareholder Solvency II capital requirements, making up over 85% of the Group's shareholder SCR. M&G Group Limited ("M&G Investments") and other undertakings such as the Group's Treasury function ("PruCap") and Investment Funds Direct Limited ("Ascentric") which operate in other financial sectors are calculated on a sectoral or notional sectoral basis. See Section E for further details.

The charts below show the undiversified SCR by risk category as at 31 December 2020 and 31 December 2019 for the Group's shareholder-backed and With-Profits Fund business. Detailed information on the SCR allocation is set out in Section E.2.2

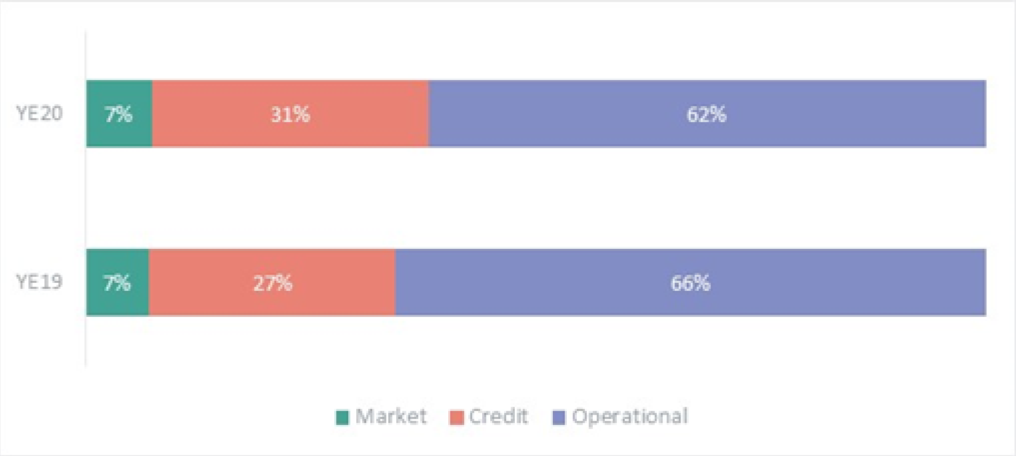
Figure 23: Undiversified SCR as at 31 December 2020 and 31 December 2019



The chart above shows that for shareholder business the highest proportionate exposure is to market risk, predominantly arising in relation to the shareholders' interest in the With-Profits Fund. There is also a significant exposure to credit risk, primarily arising from fixed income investments held to back the annuity business. The With-Profits Fund also has material exposure to market risk arising from the investments held for the with-profits business including a significant allocation to equities and property. The With-Profits Fund also has significant insurance risk exposures, primarily longevity risk, persistency risk and expense risk.

As M&G Investments and other financial sector operations are consolidated into the Solvency II position based on their own sectoral (or notional sectoral) capital requirements, and make up only 9% of the consolidated Group shareholder SCR, their risks are not captured in the above chart. Of these, M&G Investments' is the largest and its exposure to individual financial risks is presented below using its own assessment of its Pillar 2 capital requirements. These risks are also commented on, where appropriate, within the consideration of the individual risk types. Figure 24 below shows that M&G Investments is most exposed to operational risk with some credit and market risk.

Figure 24: M&G Investments Pillar 2 capital requirements as at 31 December 2020 and 31 December 2019



C Risk profile (continued)

The key risk exposures for the Group are discussed in the following sections:

- Underwriting risk, often described as insurance risk, which includes longevity, persistency and expense risk (refer to Section C.1)
- Market risk, which includes equity, property, interest rate and currency risks (refer to Section C.2)
- Credit and counterparty risk (refer to Section C.3)
- Liquidity risk (refer to Section C.4)
- Operational risk (refer to Section C.5)
- Other material risks (refer to Section C.6)

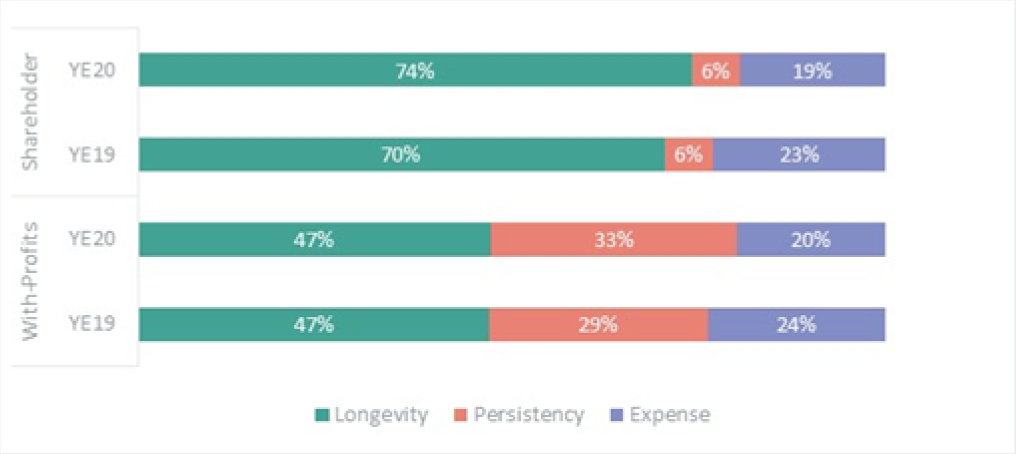
C.1 Underwriting risk

C.1.1 Risk exposure

Underwriting risk refers to the risk of loss or of adverse change in the financial situation of the business, or that of customers and clients, resulting from changes in the level, trend, or volatility of longevity, persistency, expense, mortality and morbidity experience.

The chart below sets out the Group's exposures (as a % of the underwriting risk undiversified SCR) to each of these risks. Mortality and morbidity risk accounts for an immaterial proportion of the SCR and so has been grouped under the longevity risk category. The changes in with-profit proportionate exposure are related to a number of factors including changes in the in-force business profile due to new business and lapse experience, as well as changes in market conditions.

Figure 25: Undiversified insurance risk SCR as at 31 December 2020 and 31 December 2019



For measures of underwriting risk, the undiversified SCR is used as a key assessment of the size of the underwriting risk the business is exposed to under severe ("1 in 200 year") stresses, with regular stress and scenario tests also applied to the key financial exposures to understand the sensitivity of the overall Solvency II capital position to individual and combined risks. This is further supported by solvency monitoring and experience analysis.

Longevity

Longevity risk, i.e. the risk of unexpected changes in the life expectancy (longevity) of policyholders, arises primarily in relation to PAC's in-force annuity book and is a material risk for both the Group's shareholder-backed business and the With-Profits Fund. However, the Group has materially reduced its shareholder exposure to longevity risk in recent years with PAC entering into a number of reinsurance arrangements, including the 2018 reinsurance arrangement with Rothesay Life covering annuity liabilities of c£12.2bn as at 31 December 2020 (2019: £12.4bn). Further information on the Rothesay Life reinsurance arrangement is provided in Section A.1.4.7.

The With-Profits Fund's exposure to longevity risk primarily arises from non-profit annuity business and with-profits (deferred and immediate) annuity business.

An increase in mortality experience may be expected over the short term due to the COVID-19 pandemic, particularly in relation to the annuitant population which has a higher average age than the non-annuitant population. However, the longer term implications for mortality rates amongst the annuitant population are not yet clear, increasing uncertainty in the Group's assumptions.

Persistency risk

The Group is exposed to persistency risk, i.e. the risk of unexpected changes in policyholder rates of exit, on its insurance business with the shareholder exposure arising in relation to transfers from the With-Profits Fund. An increase in policyholder exits reduces the value of these transfers.

The With-Profits Fund is also exposed to persistency risk, with the impact generally depending on the level of investment guarantees included in the products. Reductions in policyholder exits will tend to increase the expected costs of meeting guaranteed obligations to policyholders, due to an increase in the number of policies remaining in-force with the potential for a guarantee to apply. However, in recent years new business sales have been dominated by business without material guarantees, and consequently, the With-Profits Fund will become increasingly exposed to increases in policyholder exits.

M&G Investments does not hold capital with respect to underwriting risks. However, the Group derives revenue from management fees based on M&G Investments' assets under management. A significant or systemic withdrawal of assets under management would result in lower management fees and therefore revenues and, depending on the extent of such withdrawals and the management actions taken in response, could impact the asset management business' financial condition, operations, results and prospects.

Persistency risk, in particular rates of exit and fund flows, was impacted in 2020 by COVID-19. However, the impact of the pandemic on persistency experience, particularly on longer term trends, will take time to emerge and will likely depend on economic impacts and therefore increases uncertainty in the Group's assumptions.

C Risk profile (continued)

C.1 Underwriting risk (continued)

Expense risk

The Group is exposed to expense risk, i.e. the risk that expenses (including future expense inflation) could be higher than anticipated. For the With-Profits Fund, expense risk arises where fixed expense charges may not be sufficient to cover the actual expenses for the non-guaranteed PruFund business.

M&G Investments is also exposed to expense risk which, alongside the other areas of the Group, is expected to decrease as costs are reduced through the change programme, a major Group-wide programme of investment to improve processes and systems.

C.1.2 Risk mitigation

Underwriting risk is managed in line with the requirements set out in the Savings and Investment Risk policy, which also defines the Company's risk appetite in relation to insurance risk. This includes specific risk mitigation activities to capture unique features of individual risks. Longevity risk is predominantly managed through:

- Regular reviews of best estimate assumptions, supported by detailed assessment of actual mortality experience versus the best estimate assumptions.
- Longevity research.
- Longevity risk reinsurance arrangements assessed against principles and guidance provided by the Reinsurance Policy and PAC's Reinsurance Appraisal Framework.

Other underwriting risks such as persistency risk and expense risk are also subject to regular reviews and actions, with frequency and intensity proportionate to the materiality of the risk.

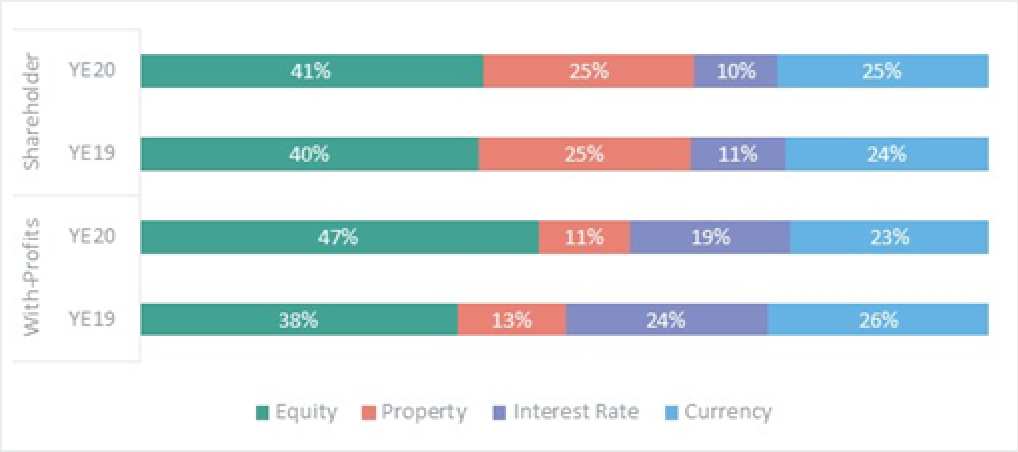
C.2 Market risk

C.2.1 Risk exposure

Market risk refers to the risk of loss or adverse change in the financial situation of the business or that of customers and clients resulting, directly or indirectly, from fluctuations in the level or volatility of market prices of assets and liabilities. The key types of market risk for the Group are equity risk, property risk, interest rate risk and currency risk.

The chart below sets out the Group's exposures (as a % of the undiversified SCR excluding sectoral entities) to each of these risks. The increase in undiversified equity risk capital for with-profits business reflects an increase in net exposures to equity-like holdings, including collective investment schemes.

Figure 26: Undiversified Market Risk SCR as at 31 December 2020 and 31 December 2019



Market volatility was heightened during 2020 largely due to the impact of the COVID-19 pandemic, with the risk of further market volatility remaining as the pandemic continues. However, the risks are well understood, and closely managed and monitored.

For measures of market risk, the undiversified SCR is used as a key assessment of the size of the market risk the business is exposed to under severe ("1 in 200 year") stresses, with regular stress and scenario tests also applied to the key financial exposures to understand the sensitivity of the overall Solvency II capital position to individual and combined risks. This is further supported by solvency monitoring and experience analysis. Furthermore there is regular monitoring of the impact of market movements on the solvency position relative to risk appetite.

For shareholder transfers from the With-Profits Fund the key types of market risk are equity, property, interest rate and currency risks. For unit linked contracts and fee income on third party customer funds the value of the charges is dependent on the assets under management and therefore is exposed to equity, property, interest rate and currency risks based on the underlying fund investments. Additional market risk exposure arises from interest rate and property risk relating to the non-profit annuity book and the 'no negative equity' guarantee on lifetime mortgage loans. The Group is responsible for ensuring the defined benefit staff pension schemes (which are closed to new members) remain adequately funded to meet their expected future liabilities and are therefore exposed to the risk of additional deficit funding contributions which in turn exposes the Group to market risks on the invested assets and changes in the discount rate for liabilities.

The With-Profits Fund is also exposed to market risks as, for example, adverse changes in the value of the assets backing the policyholder asset shares may lead to an increase in the expected cost of policyholder guarantees. This risk is largely borne by the With-Profits Fund itself, though shareholder support may be required in extreme circumstances where the fund has insufficient resources to support the risk. The With-Profits Fund is also exposed to market risk in respect of its annuity book and in particular interest rate and property risk.

C Risk profile (continued)

C.2 Market risk (continued)

For M&G Investments, investors bear the direct market risk on their investments. M&G Investments' income is generated through management fees on assets under management and therefore its assets under management and fees thereon are impacted by market performance. In addition, M&G Investments has some limited direct exposure to market risk through its seed investments, the retail book of units and unhedged currency positions as a result of overseas operations.

C.2.2 Risk mitigation

The Group operates a robust market risk framework to support the effective risk management of market risk and this includes:

- A market risk policy, appetite statements, risk limits and triggers covering key market risk exposures (e.g. interest rate sensitivity).
- Asset and liability management programmes, including monitoring of projected liability cash flows to achieve close asset/liability matching.
- A quality of capital framework for PAC, which defines a set of principles for determining the optimal asset features to back components of PAC’s shareholder balance sheet.
- A framework covering the triggering of an application to recalculate the Solvency II TMTP, which mitigates changes in risk margin due to interest rates (amongst other factors).
- Monitoring of the impact of market movements on the solvency coverage position to risk appetite.
- Regular reviews of strategic asset allocations ("SAAs"), investment and hedging strategies.
- Use of derivatives to hedge equities, interest rates and currency risks where appropriate.
- Investment constraints and limits set out in Investment Management Agreements ("IMAs") and fund guidelines, which are subject to periodic review.

C.3 Credit risk

C.3.1 Risk exposure

Credit risk refers to the risk of loss or adverse change in the financial situation of the business, or that of customers and clients, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors in the form of default or other significant credit event (e.g. downgrade or spread widening).

The current uncertain economic environment, particularly resulting from COVID-19, has led to a heightened risk of the downgrade of assets backing the annuity portfolios. Although adverse credit experience has been muted during 2020, there remains the risk of a material deterioration in credit conditions due to the effects of the pandemic, in particular following the removal of government support.

For measures of credit risk, the undiversified SCR is used as a key assessment of the size of the credit risk the business is exposed to under severe (“1 in 200 year”) stresses, with regular stress and scenario tests applied to understand the sensitivity of the overall Solvency II capital position to credit risk. This is supported by regular counterparty monitoring including assessments of credit ratings and stress and scenario testing, with particular focus on the potential impact of higher than expected downgrades and credit spread widening, to support the Group's understanding of the key drivers of its credit risk exposure. This is further supported by solvency monitoring and experience analysis. Regular measurement and monitoring of individual credit risk exposures against individual limits is also conducted.

Invested Credit Risk

The Group is exposed to credit risk relating to the substantial volumes of public and private fixed income investments held in the asset portfolios backing PAC’s shareholder-backed non-profit annuity business and on surplus funds held in the Shareholder Fund.

There are also substantial volumes of similar assets held in the With-Profits Fund, the risk of which is largely borne by the with-profits policyholders (and the With-Profits Fund inherited estate i.e. the assets in the fund excess of that amount which PAC expects to need to fulfill its obligations to policyholders), but which, as described above, can impact the Group by reducing the size of shareholder transfers and, in extremis, requiring capital support.

The majority of M&G Investments' credit risk exposure is due to changes in the values of assets exposed to credit risk which impact on fees and seed investments.

Counterparty Risk

The Group is also exposed to counterparty risk, primarily through the use of derivatives for risk reduction and efficient portfolio management, the placing of cash with counterparties and, for PAC, the use of reinsurance for risk reduction. Rothesay Life in particular is a significant counterparty for PAC, following the reinsurance of PAC’s annuity liabilities. An application to complete a Part VII transfer of these liabilities to Rothesay Life, which would substantially eliminate this counterparty exposure, was initially rejected by the High Court. Rothesay Life and PAC have successfully appealed this decision; the date for a further sanction hearing is currently expected to be in November 2021.

The Group’s reinsurance counterparty exposure to Rothesay Life is fully collateralised with assets that must meet certain eligibility criteria and are held in a custody account.

M&G Investments also has short-term counterparty exposures to fund subscriptions and redemptions between investors and underlying funds, where M&G Investments acts as a principal in such transactions (UK unit trust/OEIC debtors), as a client may default on payment to M&G Investments (albeit M&G Investments has the ability to sell the relevant units in the event of such a default). These settlement balances can be volatile and significant in value. Counterparty risk also arises as a result of bank cash deposits and trade receivables.

C Risk profile (continued)

C.3.2 Risk mitigation

The Group operates a robust credit and counterparty risk framework, which includes:

- Credit risk policy, standards, appetite statements, limits and triggers (including relevant governance and controls).
- Investment constraints and limits on the asset portfolios, in relation to credit rating, seniority, sector and issuer, via Investment Management Agreements ("IMA"), SAA and the Large Risk Approvals Process.
- Monitoring of current exposures in relation to appetite, limits and triggers and a range of forward-looking indicators, with reporting to and oversight by relevant Committees.
- Investment constraints on individual counterparties, in particular for derivatives and reinsurance (Reinsurance Counterparty Framework, Large Risks Approval Process and Counterparty Rating and Limits Framework).
- Robust credit rating processes.
- Ad-hoc deep dive reviews.

C.4 Liquidity risk

C.4.1 Risk exposure

The Group is exposed to two types of liquidity risk:

- Treasury liquidity risk is the risk of loss for the Group’s business, or of adverse changes in its financial situation, resulting from its inability to generate sufficient cash resources to meet financial obligations (e.g. claims, creditors and other corporate costs) as they fall due.
- Fund liquidity risk is the risk of being unable to meet liabilities arising from a mismatch in liquidity of the underlying assets and the frequency of liability requirements of the fund. This risk relates to third party funds managed on behalf of customers and clients.

The insurance operation is exposed to treasury liquidity risk for example through:

- Higher than expected customer withdrawals or collateral requirements, and/or lower than expected market liquidity for assets in its with-profits and unit-linked funds.
- Ineffective asset/liability matching or higher than expected credit defaults for non-profit annuity business, leading to a mismatch between cash received from the Group’s investments and annuity payments to its customers.
- Higher than expected cash outflows from the shareholder business, e.g. due to tax or collateral requirements.

The asset management operation is exposed to treasury liquidity risk through a need to support the timely settlement of fund units while also maintaining sufficient liquidity to support daily operations and minimum regulatory liquidity requirements for its entities. It is also indirectly exposed to fund liquidity risk in relation to management of third party funds on behalf of its customers and clients that could have adverse impacts on customer retention (with resulting impact on fee income) and reputation.

The primary measurement of liquidity risk is through regularly monitoring liquidity coverage ratios against the Group’s liquidity risk appetite. These consider whether liquidity is sufficient to meet requirements under plausible adverse scenarios comprising both idiosyncratic factors and systemic market factors.

The Group has maintained liquidity buffers in excess of their defined risk appetites limits throughout 2020.

C.4.2 Risk mitigation

The Company relies on cash remittances from PAC and M&G Investments to meet its financial obligations. However, it also maintains a liquidity buffer to meet any unexpected shortfalls in remittances from the subsidiaries or other one-off requirements. The Company's asset portfolio, which is managed by PruCap, is held in liquid assets, predominantly cash, gilts and high quality corporate bonds. Although the Group has not yet raised commercial paper as an independent listed company, this can be used to provide financial flexibility and sources of operational funding, if required. The Group also has committed facilities with a number of banks which can be used to provide liquidity in extremis.

The Group operates a robust Liquidity Risk Management Framework which includes:

- Liquidity risk policies, which set out the approach to the management of both treasury and fund liquidity risk.
- A Liquidity Risk Management Plan which sets out potential actions to consider to support the liquidity position.
- A Liquidity Contingency Plan, which sets out the procedures to be followed if a material liquidity risk event arises or is expected to arise.
- Asset and liability management programmes, including monitoring of projected liability cash flows to achieve close asset-liability matching.
- Monitoring of exposures, under base and stress scenarios, against specific triggers and limits for the with-profits, annuity and unit linked funds for a range of time horizons.
- Additional monitoring and controls to satisfy Solvency II matching adjustment requirements, including an annual reverse stress test exercise, and an Eligible Collateral Coverage Ratio, reported quarterly, which captures the increased risk that collateral requirements cannot be met due to matching adjustment constraints.

In addition, to manage liquidity risk in those unit-linked funds which may be inherently more illiquid, in particular property funds, deferral clauses are in place which allow the deferral of cash payments to withdrawing customers in extreme adverse liquidity scenarios. The M&G Property Portfolio was suspended from 4 December 2019 and it has been publicly announced that it will reopen on 10 May 2021. PPL’s M&G Pooled Pensions UK Property Fund remains in deferral since May 2019. Throughout 2020, both fund teams made substantial progress in raising cash through asset sales. Asset disposals are in line with both funds’ respective strategies, with an aim to return to normal operation as soon as possible. Fund liquidity is expected to remain a key theme as regulatory and market developments impact funds’ investments in unquoted and hard to trade assets.

C Risk profile (continued)

C.4 Liquidity risk (continued)

C.4.3 Expected Profit Included in Future Premiums

The Group is required to calculate and report the expected profit included in future premiums ("EPIFP") included within its own funds. This calculation requires an assessment of the impact of an increase in insurance liabilities (excluding the risk margin) if future premiums relating to in-force business were not received, regardless of the legal or contractual rights of the policyholder to discontinue the policy. The calculation is carried out at the level of homogeneous risk groups, as defined in Article 35 of the Delegated Regulation.

As at 31 December 2020, Group EPIFP from QRT S23 was £118m (2019: £140m). The breakdown of the EPIFP by entity is shown in Figure 27 below.

Figure 27: Expected Profit Included in Future Premiums by regulated insurance undertaking

	For the year ended 31 December	
	2020	2019
	£m	£m
PAC	**45**	76
PIA	**122**	63
PPL	**—**	—
Intercompany eliminations [1]	**(49)**	—
Total Group	**118**	140

[1] As at 31 December 2020, the PIA EPIFP is reported gross of reinsurance, with the impact of internal reinsurance being eliminated upon consolidation to group EPIFP. For 31 December 2019, the PIA EPIFP was reported net of intra-group reinsurance of £37m.

C.5 Operational risk

C.5.1 Risk exposure

Operational Risk is the risk of financial and non-financial impact (for example, regulatory and reputational) resulting from inadequate or failed internal processes, or from personnel and systems, or from external events, excluding external events covered under Business Environment Risk (as detailed in section C.6.1). Operational failures can also give rise to financial risk exposures; for example, through process failures in the management of market and credit risk.

The Group does not actively seek to take operational risk to generate returns, instead it accepts a level of risk that means the controls in place should prevent material impacts but should also not excessively restrict business activities. Operational risk is primarily measured and monitored through the Risk and Control Self Assessment ("RCSA") process as part of the Integrated Control Framework, which provides a framework to assess the inherent and residual risk exposure and effectiveness of operational controls across the Group.

To the extent that operational risks cannot be fully mitigated, the Group holds capital against operational risk within the Internal Model SCR calculation. On an annual basis, regulated entities across the Group assess 'Extreme but Plausible' operational risk scenarios to determine the required level of operational risk capital. These scenarios represent issues which, although very low likelihood, have the potential to create extreme losses through a single event or a significant increase in frequency of event. Outputs for each scenario are then consolidated, taking into account the probability that not all scenarios will occur together, to provide an overall view of the Operational Risk capital requirement across the Group. The most recent assessment of this nature suggests the key operational risk scenarios across the Group are in respect of Business Process Execution Errors, Technology Failures and Regulatory Compliance.

Operational Resilience is the preparedness and ability to anticipate, prevent, respond to, recover and learn from operational disruptions (whether unforeseen or not). The Group's operational resilience has been tested by COVID-19 throughout 2020 with impacts continuing to be pro-actively managed. Business continuity and resilience plans were implemented in February 2020 to ensure the safety and well-being of colleagues and continuity of services to customers and clients including the implementation of working from home for the vast majority of colleagues. Whilst no new operational risks have been identified, risk priorities have changed with increased focus on: outsourcing oversight, engagement and monitoring; data security and privacy; cybercrime attacks and fraud attempts; market volatility and internal controls. Regular reporting, via an Internal Critical Controls Dashboard has been prepared monthly for the Executive Risk Committee to provide visibility of the evolving position and the operation of key controls in each business area.

Key operational risk exposures include, but are not limited to the following:

Technology and data risk

The Group has a high dependency on technology and the loss or sustained unavailability of key hardware or software, inadequate information security arrangements and ineffective use of digital solutions could impact the Group's ability to operate effectively. Furthermore, regulatory scrutiny of, and reputational damage from, issues arising from the processing of customer data, and the security and resilience of technology and processes are expected to remain high.

Third party suppliers

As detailed in Section B.7, like many of its peers, the Group is increasingly dependent on third parties for critical activities such as customer engagement, investment management, fund administration and technology. Serious failings in the delivery, or persistent underperformance of third party supplier arrangements, could impact the delivery of services to customers. Concentrations of operational risk can arise where there is a key dependency or a single (or small number) of vendors to provide critical Group services.

Change Risk

There are a number of significant change and transformation programmes underway to deliver the Group's strategy for growth, improve customer experiences and outcomes, strengthen resilience and control environment and support scalable growth. A failure to deliver these programmes within timelines, scope and cost may impact the business model and ability to deliver strategy.

C Risk profile (continued)

C.5 Operational risk (continued)

C.5.2 Risk mitigation

The operational risk profile of the business continues to evolve in line with the Group's strategy and the business environment in which the Group operates. The Group manages and mitigates operational risk via the following methods:

- An Integrated Control Framework and operational risk framework and system that delivers processes and tools to identify, assess, manage and report operational risk exposures.
- Additional policies, standards and procedures which cover specific operational risk exposures, such as technology risk, change risk and third party risk.
- Internal and external incident lessons learned reviews.
- Corporate insurance programmes to limit the financial impact of operational risks.
- Regular testing of elements of the business continuity and disaster recovery plans.
- Strong project governance (including oversight) with reporting and escalation of risks to management and the Board.
- Metrics to monitor and report on the delivery, costs and benefits of transformation programmes and regular deep dive assessments are conducted on transformation programmes, individually and collectively.
- Implementation of the operational resilience framework, including the Group Operational Resilience Policy. This involves:
    - defining key business services with articulation of the end-to-end process, and value chain of activities, which make up such services;
    - determining appropriate impact tolerances for the key business services;
    - enhancing the testing of such services to assess, and where necessary enhance, the ability of the services to withstand and absorb operational disruption; and
    - operating on the presumption that operational disruptions will occur, it is not ‘if’ but ‘when’.

C.6 Other material risks

C.6.1 Business environment and market forces risk

Changing customer preferences and economic and political conditions, could adversely impact the Group’s ability to deliver its strategy and have implications for the profitability of its business model. The markets in which the Group operates are highly competitive whilst customer needs and expectations are changing rapidly. Economic factors, including those resulting from Brexit and the COVID-19 pandemic, may impact the demand for products and the ability to generate an appropriate return. In addition, increased geopolitical risks and policy uncertainty may impact the Group’s products, investments and operating model.

For the Group, PruFund accounts for a high proportion of total sales and there is a heavy reliance on the intermediated channel for sales of savings solutions. This heightens the exposure to changing economic conditions and customer preferences with the Group’s success dependent upon capacity to anticipate and respond appropriately to such external influences.

Competition is expected to intensify in response to consumer demand, technological advances, the need for economies of scale, regulatory actions and new market entrants.

The Group conducts an annual strategic planning process, which is subject to oversight by the Risk function and the Board, and results in an approved strategy. The process considers the potential impact of the wider business environment and, throughout the year, the Group monitors and reports on the delivery of the plan.

The Group continues to diversify its saving and investment business to respond to developing customer needs in terms of products, distribution and servicing, and a significant digital transformation programme is being undertaken to deliver a more diversified distribution strategy. In addition, the Group has expanded its operations in Europe to ensure that it can continue to grow and service the European customer base following the UK’s departure from the European Union.

The Group has launched a number of new products and the acquisition of Ascentric broadens coverage of the IFA market and accelerates its move into high value wealth management. Work is ongoing to develop new propositions and expand the Group’s institutional and international businesses.

C.6.2. Sustainability

Stakeholders increasingly expect the Group to meet the needs of the present without compromising the ability of future generations to meet their own needs. In addition, sustainability, including issues concerning the climate, diversity and inclusion, corporate governance and biodiversity, is crucial to the success of the Group and that of the companies in which the Group invests. A failure to address and embed sustainability within the Group’s products, business and operating model could adversely impact profitability, reputation and plans for growth.

Sustainability risks, along with other risk types, are identified, assessed and managed under the Risk Management Framework. Consideration of ESG Risk is built into the decision making processes and a requirement of key strategic board risk assessment papers. Climate Change Risk is being integrated into the Group's scenario analysis process with both top down and bottom up consideration over a range of time horizons.

C Risk profile (continued)

C.6 Other material risks (continued)

C.6.3 Investment performance and risk

The investment objectives and risk profiles of funds and segregated mandates are agreed with customers. A failure to deliver against these objectives (including sustained underperformance of funds), maintain risk profiles that are consistent with customers' expectations, or ensure that fund liquidity profiles are appropriate for expected redemptions may all lead to poor customer outcomes and result in fund outflows. If these risks materialise for larger funds or a range of funds then profitability, reputation and plans for growth may be impacted.

Fund managers are accountable for the performance of the funds they manage and the management of the risks to the funds. An independent Investment Risk and Performance team monitors and oversees fund performance, liquidity and risks, reporting to the CRRO. Such activities feed into established oversight and escalation forums to identify, measure and oversee investment performance, investment risk and fund liquidity risks.

C.6.4 People risk

The success of the Group is highly dependent on the ability to attract, retain and develop highly qualified professional people with the right mix of skills and behaviours to support the business strategy and culture.

As a large and listed public company, and as the Group continues to implement its change programme, people risk and associated reputational impact is heightened in a number of areas including pay practices, staff workloads and morale, the conduct of individuals or groups of individuals and industrial relations (internally and that of key third party providers).

The HR Framework includes policies for Diversity and Inclusion, Employee Relations, Talent and Resourcing, Remuneration, and Performance and Learning. The framework is designed to align staff objectives and remuneration to business strategy and culture.

The management and Board receive regular reporting on people issues and developments, for example, the succession plans for critical talent, the management of industrial relations, pay, culture and diversity. The Group conducts regular surveys to better understand colleagues' views on the Group's business and culture, the findings of which drive actions to improve the experience of staff. The Risk function has also begun monitoring and reporting a series of indicators of behavioural risk.

The COVID-19 pandemic led to a rapid scaling up in remote working capacity and capability which has placed significantly greater reliance on virtual environments and introduced changes in working practices. This has heightened risks in areas including staff morale and well-being. These, and other risks, are being monitored and managed through bespoke incident management procedures with staff safety and well-being at the forefront of the Group's response to the pandemic.

C.6.5 Regulatory compliance

The Group operates in highly regulated markets and interacts with a number of regulators across the globe, in an environment where the nature and focus of regulation and laws remain fluid. There are currently a large number of national and international regulatory initiatives in progress, with a continuing focus on solvency and capital standards, conduct of business and systemic risks. The consequences of non-compliance can be wide ranging and include customer detriment, reputational damage, fines and restrictions on operations or products.

Accountability for compliance with regulatory and legal requirements sits with senior management. The Compliance function supports the Group by coordinating regulatory activities, including interactions with regulators, recognising the obligation of the Group's regulated subsidiaries to meet their distinct regulatory requirements and to take decisions independently in the interests of their customers.

The function provides guidance to, and oversight of, the Group in relation to regulatory compliance and conflicts of interest, and carries out routine monitoring and deep dive activities to assess compliance with regulations and legislation. National and global regulatory developments are monitored and form part of the Group's engagement with government policy teams and regulators, which includes updates on responses to the changes.

C.6.6 Reputational risk

The Group's reputation is the sum of its stakeholders' perceptions, which are shaped by the nature of their expectations and the Group's ability to meet them. Consequently, there is a risk that through activities, behaviours or communications, the Group fails to meet stakeholder expectations in ways which adversely impact trust and reputation. Failure to effectively manage reputational risk could therefore have an adverse impact on revenues and cost base, the ability to attract and retain the best staff and could also result in regulatory intervention or action.

The Reputational Risk Management Framework and dedicated Reputational Risk team monitor and report on reputational risks utilising a suite of metrics to monitor stakeholder groups. In addition, embedded reputational risk champions perform an active role in the identification and monitoring of key reputational risks and drivers. Champions also support the Group in creating processes that include full consideration of reputational risks in key decisions.

COVID-19 and the ongoing socio-political climate, together with an increase in activities being undertaken by the business means that the Group could face an increasing range and severity of reputational events. A number of factors mean that such pressures will increase, including the greater focus of customers, regulators and investors on ESG issues and social media providing the means for opinions to be stated and shared instantaneously.

C Risk profile (continued)

C.7 Any other information

C.7.1 Special Purpose Vehicles

There are no special purpose vehicles that fall into the definition under Article 211 of Solvency II Directive.

C.7.2 Risk sensitivity

Stress and scenario testing is embedded in the RMF. It is performed in order to:

- Assess the Group's ability to withstand significant deterioration in financial and non-financial conditions, including environmental impacts such as climate change.
- Provide feedback to decision making processes by identifying areas of potential business failure.
- Demonstrate to stakeholders that the Group has adequate capital and liquidity levels.
- Demonstrate that the Group has appropriate and plausible management actions available to cover potential losses incurred during extreme, but plausible events.
- Assist in the monitoring of adherence to the Group's risk appetite.

To evaluate the Group's resilience to significant deteriorations in market and credit conditions and other shock events, the quantifiable risks facing the Group, as described in the sections above, are assessed via stress scenarios of varying severities. In addition, annually the Group derives a reverse stress test which gives the directors an understanding of the type and strength of scenario expected to result in the Own Funds falling below 100% of the SCR. The Group also maintains a Risk Appetite Framework which includes an assessment of the Group's ability to withstand a specified level of shock and still cover its SCR.

Mitigating management actions designed to maintain or restore key capital, liquidity and solvency metrics to the Group's approved risk appetite are available to the Group in times of stress. As such, these actions will be available in the scenarios tested and will assist in maintaining the viability of the Group over the plan period.

Stress tests are performed both with and without any allowance for the TMTP granted by the PRA being recalculated, and are performed separately for the Group's shareholder-backed business and the With-Profits Fund.

The methodology and assumptions applied to calculate the balance sheets in the stress scenarios are broadly consistent with those applied when valuing the reported balance sheet, however the movement in stressed own funds is calculated using the proxy models within the Solvency II Internal Model rather than the full valuation models. The methodology and assumptions are subject to some accepted limitations with the stress testing methodology reviewed and approved on an annual basis to ensure it remains appropriate.

Sensitivity Analysis

The Group's estimated shareholder, With-Profits Fund and regulatory views of the Solvency II capital position, under a range of sensitivities are shown below as at 31 December 2020.

Figure 28: Impact of sensitivities

As at 31 December	Solvency II sensitivities	Shareholder view		With-Profits Fund view		Regulatory view	
		Surplus £m	Solvency ratio %	Surplus £m	Solvency ratio %	Surplus £m	Ratio %
2020	As reported (regulatory approved TMTP)	**4,896**	**184 %**	**7,001**	**243 %**	**4,896**	**146 %**
	As reported (recalculated TMTP)	**4,783**	**182 %**	**6,968**	**242 %**	**4,783**	**144 %**
	20% fall in equity markets	**4,268**	**175 %**	**6,490**	**230 %**	**4,268**	**140 %**
	20% instantaneous fall in property markets	**4,356**	**175 %**	**6,844**	**240 %**	**4,356**	**141 %**
	50 basis points fall in interest rates	**4,608**	**173 %**	**7,214**	**243 %**	**4,608**	**141 %**
	100 basis points increase in credit spreads	**4,319**	**178 %**	**6,421**	**237 %**	**4,319**	**142 %**
	20% credit asset downgrades	**4,442**	**175 %**	**6,788**	**238 %**	**4,442**	**141 %**
2019	As reported (regulatory approved TMTP)	4,471	176 %	7,628	267 %	4,471	143 %
	As reported (recalculated TMTP)	4,471	176 %	7,628	267 %	4,471	143 %
	20% fall in equity markets	4,019	170 %	7,391	266 %	4,019	140 %
	20% instantaneous fall in property markets	4,079	171 %	7,514	266 %	4,079	140 %
	50 basis points fall in interest rates	4,356	170 %	7,937	264 %	4,356	139 %
	100 basis points increase in credit spreads	3,972	172 %	7,025	261 %	3,972	140 %
	20% credit asset downgrades	4,155	170 %	7,424	260 %	4,155	139 %

All sensitivities are presented allowing for a further recalculation of TMTP, which would be subject to PRA approval.

C Risk profile (continued)

C.7 Any other information (continued)

A description of each sensitivity is as follows:

- The equity and property sensitivities reflect a 20% instantaneous fall in all global equity and property markets respectively, including both residential and commercial property exposures.
- The interest rate sensitivity reflects a 50 basis points reduction in the gross redemption yield on all fixed interest securities and the real yield on all variable securities, and a 50 basis point reduction in all points of all swap curves which form the basis of the valuation interest rates. The adjustment for credit risk is unchanged from that allowed for in the base results.
- In the credit spread sensitivity corporate bond yields for A rated investments have increased by 100bps. The yields for other corporate bonds have increased by a proportion of 100bps where the proportion is equal to the base spread for the relevant rating divided by the base spread for the A rated bonds. There is no change in gilt and approved security yields and there is no change to the default assumptions or ratings.
- The credit asset downgrade stress reflects a full letter downgrade on 20% of all assets for which the credit rating is a determinant of the capital requirements.

Shareholder sensitivities

The scenario assessments for the shareholder-backed business make no allowance for any management actions.

The results from stress testing show that the Group's shareholder business remains exposed to market risks through downwards interest rate movements, equity and property shocks, and to credit risk through downgrades in the credit portfolio and/or spread widening. The exposures largely arise in respect of the non-profit annuity business and the shareholder transfers. In practice, a number of these exposures could occur together.

Consideration of the coincidence of risks through combined and reverse stress testing has shown that it would take a strong market event including credit shocks to reduce the solvency ratio below 100%. At 100% capital coverage, the Group would still have sufficient capital to withstand a 1 in 200 year event.

The Group’s shareholder business is also exposed to insurance risks through, in particular, longevity and expense risk.

With-Profits Fund sensitivities

The analysis for the With-Profits Fund allows for predetermined management actions but does not reflect all possible management actions which could be taken in future.

The results from stress testing show that the Group's With-Profits Fund is also exposed to market risks through downwards equity movements and property shocks, and to credit risk through downgrades in the credit portfolio and/or spread widening.

In practice, a number of these exposures could occur together. Consideration of the coincidence of risks through combined stress testing has shown that it would take an extremely strong market event including credit shocks to reduce the solvency ratio below 100%.

The Group's With-Profits Fund is further exposed to insurance risk through longevity, expense and persistency risk.

C.7.3 Risk concentration

The Group's review of significant risk concentration encompasses a review of its exposure to various balance sheet asset classes, individual counterparties, groups of interconnected individual counterparties, specific geographical areas, industry sectors and currencies.

The Group has a Global Counterparty Limits Framework which limits significant concentration risks arising from various balance sheet asset classes. These asset classes are assigned a notional weighting derived to reflect the relative riskiness of each asset class.

The Group also has in place a process whereby invested credit and counterparty credit risk outside the scope of the Global Counterparty Limits is limited on a single name basis. Under this process, the CRRO’s approval is required for the undertaking of new or additional exposure greater than predefined thresholds. These thresholds are defined for the Group and vary by asset class/counterpart exposure and by credit rating. Timebound exemptions from these thresholds may be approved by the CRRO based on the merits of the individual cases.

As at 31 December 2020, the four largest counterparties the Group had exposure to are:

- Rothesay Life;
- The United Kingdom of Great Britain and Northern Ireland government;
- Citigroup Inc; and
- Barclays PLC.

As at 31 December 2019, the four largest counterparties the Group had exposure to are:

- Rothesay Life;
- The United Kingdom of Great Britain and Northern Ireland government;
- Citigroup Inc; and
- Banco Santander SA.

M&G Investments aims to diversify its sources of revenue and has low appetite to be over-exposed to any single country, single customer (including internal PAC funds), funds and fund managers.

C Risk profile (continued)

C.7 Any other information (continued)

C.7.4 Prudent Person Principle

The Prudent Person Principle requires that the Group only makes investments on behalf of customers that a "prudent person" would make. In order to comply with this principle, the Group has to be able to identify, understand, measure and monitor any risks arising from its investment portfolios, as well as demonstrate that it carries out these activities appropriately.

Risk factors relevant to investment strategy are detected via a number of different processes, principally through the Group's risk identification process. These risk factors are overseen primarily under the RMF alongside other well established investment processes (e.g. such as the SAA), ensuring that the Group's investment risks are managed effectively and efficiently, and within risk appetite. The Framework is supported by policies which focus on the integrity and effectiveness of the investment processes, governance and controls, as well as appropriateness of resourcing and compliance of processes with applicable regulatory requirements (including the Prudent Person Principles set out in the Solvency II Directive).

The Group outsources investment management to both intra-group and external asset managers. That business is governed by a common governance framework. The following information provides details on the approach the Group applies to the Prudent Person Principle when making investment decisions:

- Group policies provide a group-wide framework for the oversight of financing and investment activities. They are designed to provide general, prudent and principle-based guidance for both shareholder-backed business and business written in the With-Profits Fund. In particular, they are designed to ensure that investment decisions are taken with appropriate cognisance and consideration of the risks involved, with clear sight of the customer outcome objectives, and robust challenge.
- The Savings and Investment Risk Policy covers investment risk across the Group, specifically setting out the group-wide framework for management and oversight of investment performance and investment related risk which includes minimum standards, controls and requirements for risk management. It aims to ensure that all Group entities have appropriate procedures in place to manage, monitor and report on the investment risk that they have taken on for both individual risks and risks in aggregate.
- Within PAC and other asset owner entities, the Asset Owner Investment Policy and Asset Owner ESG Investment Policy together cover the asset owner specific aspects of investment risk, specifically setting out the framework for management and oversight of investment performance and investment related risk which including minimum standards controls and requirements for risk management.
- The framework is supported by further documents including specific policies that cover credit, market, insurance, liquidity, operational and investment risk as well as lower level operating standards and approved limits. From time to time, additional relevant risk factors may be identified through the Group's risk identification processes. These will be taken into account as appropriate depending on their nature, level of materiality and transience, and will be monitored.
- Detailed Asset Owner Execution and Order Handling policies exist in relation to trading operations and set out the framework under which customer outcomes are achieved to ensure full compliance with all local regulations. These are supplemented by asset class procedures that detail operational controls.
- The Group oversees its asset managers through monitoring compliance with IMAs and investment mandates. These are structured in order to ensure that, in line with the Prudent Person Principle, appropriate activities for identifying, understanding, measuring and monitoring relevant risks are carried out. Where these activities are carried out on a delegated basis by an asset manager, the Group carries out due diligence to confirm that the level of compliance with the requirements of the Prudent Person Principle remains appropriate. The Group updates and maintains IMAs and investment mandates in line with changes in investment strategy.

The Group has reviewed its Prudent Person Principle approach to ensure its ongoing adequacy in light of the PRA's Supervisory Statement (SS1/20 Solvency II: Prudent Person Principle) setting out the Regulator's expectations relating to a firm's investment strategy, investment risk management, and governance system.

D Valuation for solvency purposes

This section provides a description of the bases, methods and main assumptions used in the valuation of assets (Section D.1), technical provisions (Section D.2) and other liabilities (Section D.3) under Solvency II and an explanation of differences to values in the IFRS consolidated financial statements.

Recognition of assets and liabilities under Solvency II is generally the same as for IFRS, except for:

- Unallocated surplus of the With-Profits Fund which is recognised as a liability under IFRS, but treated as surplus under Solvency II;
- Contingent liabilities which are recognised as liabilities under Solvency II if material; and
- Own shares which form part of equity and valued at cost under IFRS, but are recognised on the Solvency II balance sheet as assets at fair value.

Assets and liabilities have been valued according to the requirements of the Solvency II Directive and related guidance. Unless otherwise stated, the Solvency II valuation is the amount for which assets could be exchanged, or liabilities settled, between knowledgeable willing parties in an arm's length transaction. Section D.1.1 provides further information on the valuation approach.

Some of the Group's assets and liabilities are determined using alternative valuation methods which use non-observable inputs (described in Sections D.1.1 (d) and Section D.4).

The valuation and presentation of assets and liabilities can differ under IFRS and Solvency II. Figure 29 below summarises the IFRS consolidated statement of financial position and provides a reconciliation of presentational and valuation differences to the Solvency II balance sheet, with further detail provided in Sections D.1, D.2 and D.3.

Where the valuation of assets and liabilities is the same under IFRS, further information on the bases, methods and main assumptions can be found in the accounting policies and notes of the M&G plc 2020 Annual Reports and Accounts, in particular Note 1.5.4 which covers 'Financial assets and liabilities' and Note 33 'Fair value methodology'.

Section D.5 identifies any areas where the bases, methods and assumptions used by the Group differ materially from those used by its subsidiaries for solvency valuation purposes.

D Valuation for solvency purposes (continued)

Figure 29: Reconciliation from IFRS consolidated statement of financial position to Solvency II balance sheet

		Differences					
IFRS line items	IFRS As at 31 December 2020 £m	Unit-linked and consolidation (a) £m	Other presentation (b) £m	Recognition and valuation (c) £m	Solvency II As at 31 December 2020 £m	Solvency II As at 31 December 2019 £m	Solvency II line items
Assets							**Assets**
Goodwill and other intangibles	1,495	(280)	1	(1,216)	—	—	Intangible assets
Deferred acquisition costs	98	—	—	(98)	—	—	Deferred acquisition costs
Deferred tax assets	108	(51)	23	—	80	1	Deferred tax assets
Defined benefit pension asset	58	—	—	—	58	41	Pension benefit surplus
Investments, deposits, cash and cash equivalents[1]	203,212	(57,711)	(13,576)	—	131,925	137,459	Investments, deposits, cash and cash equivalents[1]
Investment in joint ventures and associates (equity accounted)	456	22,675	(419)	(120)	22,592	19,866	Holdings in related undertakings including participations[2]
Assets held for index-linked and unit-linked contracts	—	20,344	(2,056)	202	18,490	18,929	Assets held for index-linked and unit-linked contracts
Loans	6,031	(2,189)	14,894	95	18,831	15,559	Loans and mortgages
Reinsurance assets	11,761	—	2,041	286	14,088	14,465	Reinsurance recoverables
Other assets[3]	5,507	(3,480)	(642)	2	1,387	1,419	Other assets[3]
Own shares (held directly)[4]	—	(1)	—	136	135	26	Own shares (held directly)[4]
Total assets	228,726	(20,693)	266	(713)	207,586	207,765	**Total assets**
Liabilities							**Liabilities**
Insurance and investment contract liabilities	171,820	(7)	(710)	1,589	172,692	173,367	Technical provisions
Unallocated surplus of the With-Profits Fund	15,621	—	—	(15,621)	—	—	Other technical provisions
Provisions	235	(119)	—	—	116	243	Provisions other than technical provisions
Defined benefit pension liability	170	(64)	—	—	106	28	Pension benefit obligations
Deferred tax liabilities	916	(47)	23	(10)	882	971	Deferred tax liabilities
Derivative liabilities	3,460	(369)	2	—	3,093	1,812	Derivatives
Third party interest in consolidated funds	13,265	(13,852)	1,118	(82)	449	462	Financial liabilities other than debts owed to credit institutions
Other liabilities[5]	17,654	(6,235)	(167)	198	11,450	12,101	Other liabilities[5]
Total liabilities	223,141	(20,693)	266	(13,926)	188,788	188,984	**Total liabilities**
Total equity	5,585	—	—	13,213	18,798	18,781	**Total excess of assets over liabilities**

[1] Investments include Property (other than for own use), Equities, Collective Investment Undertakings, Bonds, Derivatives, Deposits other than cash equivalents, Cash and cash equivalents. The breakdown of these are detailed in Section D.1.2.5 Figure 30.
[2] Holdings in related undertakings and participations reflects sectoral undertakings, open-ended investment companies, unit trusts and other investment funds meeting the definition of a participation under Solvency II. Other related undertakings are consolidated on a line-by-line basis. Further details are set out in Section D.1.2.6.
[3] Other assets include Property, plant and equipment held for own use, Insurance and intermediaries receivables, Reinsurance receivables and Receivables (trade, not insurance). The breakdown of these are detailed in Section D.1.2.9 Figure 31.
[4] Own shares are shown as a component of equity in the IFRS consolidated statement of financial position, but as balance sheet assets in Solvency II. The own shares are recognised on the Solvency II balance sheet at fair value, while IFRS equity includes the shares valued at cost.
[5] Other liabilities includes debts owed to credit institutions, Deposits from reinsurers, Insurance and intermediaries payable, Payables (trade, not insurance), Reinsurance payables and subordinated liabilities. The breakdown of these are detailed in Section D.3.2.6 Figure 40.

D Valuation for solvency purposes (continued)

Notes:

(a) *Unit-linked and consolidation differences* primarily represent presentational differences in how unit-linked funds and holdings in related undertakings are consolidated. In the Solvency II balance sheet these are presented on single lines, whilst under IFRS the underlying assets and liabilities are shown in each line of the consolidated statement of financial position.

This column also includes the impact of consolidation of certain funds with third party interests. The Solvency II balance sheet only recognises the proportion of the funds that the Group owns, whereas the IFRS consolidated statement of financial position recognises the entire fund and then separately includes a liability for third party interests.

(b) *Other presentation differences* represent movements between line items with no overall impact on the excess of assets over liabilities. The main differences include:

- £14,884m increase in loans and mortgages, in respect of reverse repos, which are instead presented as deposits under IFRS.
- £2,057m increase in reinsurance assets relating to arrangements which do not give rise to significant insurance risk. Under IFRS these are presented as deposits rather than reinsurance.

(c) *Recognition and valuation differences* primarily represent differences in valuation methods and assumptions, or the treatment of unallocated surplus of the With-Profits Fund, under IFRS and Solvency II. The most significant of these are:

- £15,621m reduction in other technical provisions arising from the treatment of unallocated surplus of the With-Profits Fund. For IFRS, this surplus is considered a liability whilst in the Solvency II balance sheet it is treated as surplus (but is restricted when calculating own funds as described in Section E).
- £1,589m increase in technical provisions and £286m increase in reinsurance recoverables from differences in the assumptions and methodology under IFRS and Solvency II. See Section D.2.1.4 for further details.
- £1,314m reduction in the value of goodwill, deferred acquisition costs and other intangible assets (these are valued at nil under Solvency II) as explained in Sections D.1.2.1.

D.1 Valuation of assets

D.1.1 Determination of Solvency II fair value

Within the Solvency II balance sheet, assets are valued using valuation methods that are consistent with the valuation approach set out in the Solvency II Directive. There have been no significant changes in the valuation basis of assets in the Solvency II balance sheet in 2020. The overall principle when valuing assets and liabilities under Solvency II is to use fair value.

These valuation principles have been consistently applied to all the Group's related undertakings, other than OFS entities which, under Solvency II, are required to be valued using their local sectoral basis, or notional sectoral basis if the entity is not regulated (see D1.2.6 for details). These undertakings are presented in the Solvency II balance sheet on a single line basis within 'Holdings in related undertakings including participations'.

The Solvency II fair value hierarchy used to value the assets and liabilities of the Group (other than those relating to OFS entities) is set out below:

(a) Quoted market prices in active markets for the same assets or liabilities

As a default valuation method, the fair values of assets and liabilities are determined by the use of current market bid prices for exchange-quoted investments, by using quotations from independent third parties such as brokers and pricing services, or by using appropriate valuation techniques.

The investments of the Group which are valued using this method principally include exchange-listed equities, mutual funds with quoted prices, exchange-traded derivatives such as futures and options, and national government bonds, unless there is evidence that trading in a given instrument is so infrequent that the market could not be considered active. It also includes other financial instruments where there is clear evidence that the year-end valuation is based on a traded price in an active market.

As at 31 December 2020 £108,513m (2019: £118,358m) of financial assets (net of any derivative liabilities) were valued using this approach.

(b) Valuation methods using quoted market prices in active markets for similar assets and liabilities with adjustments to reflect differences

Where quoted market prices in active markets for the same assets or liabilities are not available, quoted market prices in active markets for similar assets and liabilities with adjustments to reflect factors specific to the asset or liability such as condition or volume or level of activity in the markets are used.

There are a limited number of financial assets valued in this manner. As at 31 December 2020 £1,118m (2019: £994m) of financial assets (net of any derivative liabilities) were valued using this approach, primarily foreign exchange forwards.

For (a) and (b), the Group applies a number of criteria in determining whether a market is considered 'active'. These include, but are not limited to, consideration of whether there is observable trading activity, and the depth and dispersion of prices observed on the measurement date.

(c) Alternative valuation methods - using inputs that are observable in the market

Where assets cannot be valued based on quoted market prices in active markets of the same or similar assets, alternative valuation methods are used.

Where possible, the alternative valuation method uses significant inputs into the valuation that are observable for the asset directly (i.e. market data) or indirectly (i.e. derived from market data). As at 31 December 2020 £42,336m (2019: £32,620m) of financial assets (net of any derivative liabilities) were valued using this approach.

A significant proportion of the Group's assets in this category are corporate bonds, structured securities and other non-national government debt securities. These assets, in line with market practice, are generally valued using independent pricing services or quotes from third-party brokers. These valuations are subject to a number of monitoring controls, such as monthly price variances, stale price reviews and variance analysis on prices achieved on subsequent trades.

D Valuation for solvency purposes (continued)

D.1 Valuation of assets (continued)

Pricing services, where available, are used to obtain third-party broker quotes. When prices are not available from pricing services, quotes are sourced directly from brokers. The Group seeks to obtain a number of quotes from different brokers so as to obtain the most comprehensive information available on their executability. Where quotes are sourced directly from brokers, the price used in the valuation is normally selected from one of the quotes based on a number of factors, including the timeliness and regularity of the quotes and the accuracy of the quotes considering the spreads provided. The selected quote is the one which best represents an executable quote for the security at the measurement date.

(d) Alternative valuation methods - inputs not based on observable market data

The investments of the Group which are valued using this method principally include investments in private equity funds, directly held investment properties and investments in property funds which are exposed to bespoke properties or risks and investments which are internally valued or subject to a significant number of unobservable assumptions. It also includes debt securities which are rarely traded or traded only in privately negotiated transactions and hence where it is difficult to assert that their valuations have been based on observable market data.

Investments valued using valuation techniques with inputs not based on observable market data include financial investments which by nature do not have an externally quoted price based on regular trades, and financial investments for which markets are no longer active as a result of market conditions e.g. market illiquidity. The valuation techniques used include comparison to recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option-adjusted spread models and, if applicable, enterprise valuation. These techniques may include a number of assumptions relating to variables such as credit risk and interest rates. Changes in assumptions relating to these variables could positively or negatively impact the reported fair value of these instruments. When determining the inputs into the valuation techniques used priority is given to publicly available prices from independent sources when available, but overall the source of pricing is chosen with the objective of arriving at a fair value measurement that reflects the price at which an orderly transaction would take place between market participants on the measurement date.

Where certain debt securities are valued using broker quotes, adjustments may be required in limited circumstances. This is generally where it is determined that the third-party valuations obtained do not reflect fair value (e.g. either because the value is stale and/or the values are extremely diverse in range). These are usually securities which are distressed or that could be subject to a debt restructure or where reliable market prices are no longer available due to an inactive market or market dislocation. In these instances, prices are derived using internal valuation techniques including those described below with the objective of arriving at a fair value measurement that reflects the price at which an orderly transaction would take place between market participants on the measurement date. The techniques used require a number of assumptions relating to variables such as credit risk and interest rates. Examples of such variables include an average credit spread based on the corporate bond universe and the relevant duration of the asset being valued. The input assumptions are determined based on the best available information at the measurement dates. Securities valued in such manner are classified in this category as their inputs are not based on observable market data.

Certain debt securities are valued used matrix pricing, which is based on assessing the credit quality of the underlying borrower and allocating an internal credit rating which is unobservable. The internal credit rating implicitly incorporates ESG considerations through the analysts' views of the industry and issuer. Under matrix pricing, these debt securities are priced by taking the credit spreads on comparable quoted public debt securities and applying these to the equivalent debt securities, factoring in a specific liquidity premium. The selection of comparable quoted public debt securities used to determine the credit spread is based on a credit spread matrix that takes into account the internal credit rating, maturity and currency of the debt security.

The fair value estimates are made at a specific point in time, based upon any available market information and judgements about the financial instruments, including estimates of the timing and amount of expected future cash flows and the credit standing of counterparties. Such estimates do not reflect any premium or discount that could result from offering for sale at one time a significant volume of a particular financial instrument, nor do they consider the tax impact of the realisation of unrealised gains or losses from selling the financial instrument being fair valued. In some cases, the disclosed value cannot be realised in immediate settlement of the financial instrument. In accordance with the Group Risk Framework, the estimated fair value of derivative financial instruments valued internally using standard market practices are subject to assessment against external counterparties' valuations.

The investment properties of the Group are externally valued by professionally qualified external valuers using the Royal Institution of Chartered Surveyors ("RICS") valuation standards. The Group's investment properties are predominantly valued using an income capitalisation technique. This technique calculates the value through the yield and rental value depending on factors such as the lease length, building quality, covenants and location. Typically these variables used are compared to recent transactions with similar features to those being valued. The valuation of investment property inherently captures the impact of climate change if it were located in an area subject to climate change events. The key inputs of yield and rental value are proxies for a range of factors which will include climate change. It is evident from recent transactions that the most recently constructed and greener buildings are achieving the highest rents and lowest yields.

As the comparisons are not with properties that are virtually identical to the Group's investment properties, adjustments are made by the valuers where appropriate to the variables used.

As at 31 December 2020, the Group held £35,617m (2019: £36,441m) of assets, net of liabilities, which were internally valued using the valuations methods described above.

Internal valuations are inherently more subjective than external valuations. These internally valued net assets and liabilities primarily consist of the following items:

- Investment properties of £11,550m (2019: £11,872m), which are valued using the RICS valuation standards.
- Debt securities of £11,682m as at 31 December 2020 (2019: £12,809m), which were either valued using discounted cash flow models with an internally developed discount rate, or using other valuation methodologies including enterprise valuation and estimated recovery (such as liquidators' reports).

D Valuation for solvency purposes (continued)

D.1 Valuation of assets (continued)

- Equity securities and pooled investment funds with a value of £8,730m as at 31 December 2020 (2019: £8,283m). These investments predominantly comprise interests in partnerships, venture capital funds and private equity funds as well as unlisted property investment vehicles. The majority of these investments are valued using net asset statements and are sensitive to the assessed net asset value.
- Loans and mortgages of £3,275m as at 31 December 2020 (2019: £3,126m): Of this amount, £1,708m (2019: £1,612m), and a corresponding liability of £409m (2019: £390m), related to equity release mortgage loans which were valued internally using discounted cash flow models. The inputs that are most significant to the valuation of these loans are the internally derived discount rate, the current property value, the assumed future property growth and the assumed future annual property rental yields. During 2019, there was a change to the deferment rate assumption which resulted in an increase in assumed property values at redemption, however, during 2020, the assumed future property growth assumption has been adjusted to make allowance for the expected short-term dynamics in the residential property market, as a result of the COVID-19 pandemic.
- £379m (2019: £351m) holding in an investment fund that invests in a portfolio of buy-to-let mortgages and other loans financed largely by external third party (non-recourse) borrowings. The Group's exposure to this portfolio is limited to the investments held by the With-Profits Fund, rather than to the individual loans and borrowings themselves. The most significant non-observable inputs to the mortgage fair value are the level of future defaults and prepayments by the mortgage holders.

The majority of the assets which are valued based on inputs which are not market observable, relate to assets held within the With-Profits Fund. As such potential variations in the valuations arising from the use of non-observable inputs does not materially impact the Group's Solvency II surplus. Considerations of the valuation uncertainty associated with the use of alternative methods of valuation is provided in Section D.4.

D.1.2 Valuation of assets under Solvency II compared with IFRS

This section describes the main areas of difference between the Solvency II and IFRS asset values. Further details of the IFRS valuation approaches are described in the M&G plc 2020 Annual Report and Accounts.

To ensure comparisons are on a like-for-like basis, any IFRS amounts quoted in this section are shown after allowing for presentational changes noted in Figure 29, to align them with the amounts reported under the Solvency II balance sheet headings. As such the IFRS amounts may differ from that disclosed in the M&G plc 2020 Annual Report and Accounts.

D.1.2.1 Goodwill and other intangible assets

Goodwill arises when the Group acquires a business and the consideration paid exceeds the fair value of the net assets acquired. The majority of the goodwill in the IFRS consolidated statement of financial position relates to the acquisition of M&G Investments.

For IFRS purposes, goodwill arising on acquisitions of subsidiaries and businesses is capitalised and carried on the consolidated statement of financial position at initial value less any accumulated impairment losses. Under Solvency II goodwill is valued at nil.

Under IFRS, intangible assets acquired through business combinations are measured at fair value on acquisition. Separately acquired intangible assets, such as licenses and software, are valued initially at the price paid to acquire them. Intangible assets are subsequently carried at cost less amortisation and any accumulated impairment losses.

Under Solvency II, intangible assets are valued at nil.

D.1.2.2 Deferred acquisition costs

For IFRS, various incremental directly attributable acquisition costs incurred relating to new insurance and investment contracts are capitalised and recognised as an asset ("deferred acquisition costs"). The asset is amortised in line with related revenue or the emergence of projected margins, and recoverability is reviewed at each reporting date, and the carrying value written down to the recoverable amount if required.

Under Solvency II, deferred acquisition costs are valued at nil.

D.1.2.3 Deferred tax assets

The principles of IAS 12 are applied to calculate deferred tax assets ("DTA"). The general principle is that a DTA is recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deductible temporary differences give rise to amounts that are deductible in determining taxable profit/loss of future periods when the carrying amount of the asset or liability is recovered or settled. DTAs are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period.

Temporary differences are calculated based upon the differences between the values given to assets and liabilities for tax purposes and their carrying values in the Solvency II balance sheet. Changes in the valuation of underlying assets or liabilities may give rise to a change in deferred tax balances. Differences between the value of deferred tax assets and liabilities under IFRS compared to that under Solvency II principally arise as a result of valuation changes relating to the technical provisions' best estimate liabilities.

DTAs are offset against deferred tax liabilities where appropriate.

D.1.2.4 Pension benefit surplus

The pension benefit surplus is £58m (2019: £41m) in Solvency II and £58m (2019: £77m) in IFRS. As at 31 December 2019, a difference arose due to the M&G Investments' scheme being valued in accordance with its sectoral rules which requires the surplus to be derecognised. As at 31 December 2020, this scheme was in a deficit on an IAS 19 basis and so no equivalent adjustment under SII was required.

For other schemes, pension benefit surplus is valued in accordance with IAS 19 under both IFRS and Solvency II. Under IAS 19 the Group can only recognise a surplus to the extent that it is able to access the surplus either through an unconditional right of refund or through reduced future contributions relating to ongoing service of active members.

Pension benefit surplus (or deficit) is described further in Section D.3.2.2.

D Valuation for solvency purposes (continued)

D.1 Valuation of assets (continued)

D.1.2.5 Investments, deposits, cash and cash equivalents

'Investments, deposits, cash and cash equivalents' comprise the following asset classes as included in the Solvency II balance sheet:

Figure 30: Investments on the Solvency II balance sheet

	As at 31 December	
	2020 [1]	2019 [1]
	£m	£m
Property (other than for own use)	**11,162**	11,872
Equities	**34,005**	35,919
Collective Investments Undertakings	**12,622**	11,880
Bonds	**64,204**	70,591
Derivatives	**5,557**	3,845
Deposits other than cash equivalents	**1,444**	1,268
Cash and cash equivalents	**2,931**	2,084
Total	**131,925**	137,459

[1] As per Figure 29, there are no valuation differences between SII and IFRS for 'investments, deposits, cash and cash equivalents'.

All of these categories of investments are valued at fair value for both Solvency II and IFRS, as described in Section D.1.1 which provides details on the fair value methodology.

D.1.2.6 Holdings in related undertakings including participations

The Solvency II Directive defines a 'participation' as the ownership, direct or by way of control, of 20% or more of the voting rights or capital of an undertaking. Undertakings will also be treated as participations where significant influence is effectively exercised by the parent. Where control exists, a participation is treated as a subsidiary, where significant influence exists without control a participation is treated as an associate or joint venture. These approaches are applied consistently under Solvency II and IFRS.

All amounts presented in the 'Holdings in related undertakings, including participations' line of the Solvency II balance sheet exclude intra-group balances and principally comprise:

(a) The contribution of the Group's regulated OFS entities (e.g. M&G Investments) and other non-regulated OFS entities (e.g. PruCap). The valuation of the individual assets and liabilities of these entities is determined using the sectoral rules where these are regulated, and notional sectoral rules where these are non-regulated. The overall contribution is presented within the single line 'Holdings in related undertakings, including participations' in the Solvency II balance sheet but are consolidated on a line-by-line basis under IFRS.

(b) The values of OEICs, unit trusts and other investment funds meeting the definition of a participation under Solvency II. The majority of these funds are consolidated within the Group IFRS consolidated financial statements. The Group invests in OEICs and unit trusts, which invest mainly in equity, bonds, cash and cash equivalents, properties, investment funds and deposits other than cash equivalents. Where the Group is deemed to control these entities under IFRS 10, these entities are treated as subsidiaries and consolidated in the Group IFRS consolidated financial statements. For solvency purposes, the Group's interests in these entities, valued on a Solvency II basis, are presented as a single line within 'Holdings in related undertakings, including participations'.

The value of related undertakings as at 31 December 2020 shown in the Solvency II balance sheet was £22,592m (2019: £19,866m) which is £120m lower (2019: £111m lower) than the equivalent contribution of these undertakings to IFRS shareholders' equity. The majority of this difference arises from M&G Investments where the amount recognised under Solvency II is £168m lower (2019: £193m) than its contribution to IFRS shareholders' equity, reflecting restrictions under M&G Investments' sectoral rules.

The residual valuation difference arises from OEICs, unit trusts and other investment funds reflecting differences in the valuation of the underlying assets, and that a fair valuation under Solvency II may entail a premium or discount to the underlying net asset value.

As part of the Group's Target Investment Model, the existing fund structure for the Group's investments is being rationalised into a common set of around 50 building blocks pooled from the c.550 base funds. Ahead of 31 December 2020, a new M&G plc legal framework has been created to implement part of the structure by launching an Authorised Contractual Scheme ("ACS") with 7 sub-funds. Using this ACS the previously discrete funds have started to be pooled. The ACS are presented on the Solvency II balance sheet within 'Holdings in related undertakings including participations', while the previous investments were consolidated on the balance sheet or held within existing collective investment undertakings. As at 31 December 2020, £5,274m of assets, mainly comprising cash and equity instruments, has been transferred to the newly created ACS.

D.1.2.7 Assets held for index-linked and unit-linked contracts

These assets are held to cover linked liabilities where the policyholders bear the investment risk of the assets.

They are presented differently under IFRS and Solvency II. Under IFRS, a line-by-line consolidation of the underlying funds is performed, and these are reported within the appropriate line of the consolidated statement of financial position. In Solvency II these assets (net of any liabilities) are recorded in aggregate as a single line entry on the balance sheet.

There is also a presentational difference in relation to reinsurance of investment contracts without discretionary participation features, where amounts due from reinsurers are reported as reinsurance recoverables under Solvency II but as deposits under IFRS.

Differences in the valuation methodology applied to the underlying assets and non-insurance liabilities of the linked business under IFRS and Solvency II (as described in the Notes to Figure 29 above) give rise to £202m (2019: £138m) valuation differences.

D Valuation for solvency purposes (continued)

D.1 Valuation of assets (continued)

D.1.2.8 Loans and mortgages

Loans and mortgages include interests in residential and commercial mortgage portfolios, the Group's loans to individuals (e.g. policy loans) and other loans, as well as reverse repurchase agreements.

Under IFRS these loans, including reverse repurchase agreements, are accounted for at amortised cost net of impairment, except for equity release mortgages which have been designated at fair value through profit or loss as the loan portfolio is managed and evaluated on a fair value basis.

Under Solvency II, all loans and mortgages are fair valued. Loans and mortgages are not actively traded, and the valuation is therefore determined by discounting the cash flows expected to be received. Section D.1.1(d) provides further detail on the approach, for those loans and mortgages where the valuation relies upon inputs that are not based on observable market data.

D.1.2.9 Other assets

Other assets comprise the following asset classes as included in the Solvency II balance sheet:

Figure 31: Other assets on the Solvency II balance sheet

	As at 31 December			
	2020		2019	
	SII	**IFRS**	SII	IFRS
	£m	**£m**	£m	£m
Property, plant & equipment held for own use	**389**	**305**	337	337
Insurance and intermediaries receivables	**21**	**21**	21	21
Reinsurance receivables	**25**	**25**	19	19
Receivables (trade, not insurance)	**952**	**1,034**	1,042	1,036
Total of 'Other assets'	**1,387**	**1,385**	1,419	1,413

The other assets in the Solvency II balance sheet are measured at fair value determined using alternative valuation methods that are market consistent and represents the realisable value of individual assets on transfer to a third party. Valuation differences relative to IFRS arise in relation to 'Property, plant and equipment held for own use', which reflects the fair value of 'right-of-use' assets under Solvency II which is discussed further below. There are also differences between the Solvency II and IFRS valuation of trade receivables.

D.1.2.10 Leasing (Right of use assets)

Under IFRS, where the Group acts as a lessee, it recognises a 'right of use' asset and a corresponding lease liability, representing the obligation to make lease payments at the lease commencement date. The Group applies the cost model to the right of use assets, except for those that meet the definition of an investment property, to which the fair value model is applied. The asset is initially measured at cost which comprises the amount of the lease liability, and lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of the costs related to the dilapidation of the asset that would be incurred, less any lease incentives received. Subsequently, the asset is depreciated using the straight-line method from the commencement date to the earlier of (i) the end of the right of use asset's useful life and (ii) the end of the lease term.

As at 31 December 2019, the value produced using the IFRS 16 valuation methodology was considered to provide the most representative estimate of the fair value required under Solvency II. This was because the Group's most material leases had recently been entered into, and so the IFRS valuation closely represented the fair value of lease liabilities and, therefore, the corresponding right of use assets. During 2020, the Group's approach for measuring the fair value of the right of use assets under Solvency II was updated to be based on a revised present value of future lease liability payments rather than the depreciated IFRS asset value, to reflect updated market conditions and the passage of time. The discount rate used for the lease asset is set to be consistent with the rate used for the lease liability. The corresponding lease liability is described in Section D.3.2.8, and further information on the Group's leasing arrangements is described in A.4.3.

'Property, plant & equipment held for own use' includes £268m as at 31 December 2020 (2019: £267m) in relation to right of use assets that do not meet the definition of investment property, and primarily related to operating leases over land and buildings utilised as office space.

D.2 Technical provisions

To the extent these disclosures relate to the risk margin, TMTP and/or the SCR, they are not subject to audit and have not been audited.

D.2.1 Overview of Solvency II technical provisions

As a general principle, technical provisions are valued at the amount for which they could theoretically be transferred to a third party in an arm's length transaction. The technical provisions consist of the BEL and the risk margin, reduced by the TMTP where relevant.

D.2.1.1 BEL

The BEL corresponds to the probability-weighted average of future cash flows, taking account of the time value of money (i.e. the expected present value of future cash flows), using the risk-free interest rate term structure published by the PRA (prior to 31 December 2020 the technical information was obtained from the European Insurance and Occupational Pensions Authority) with allowance for a matching adjustment where relevant. The calculation of the BEL is based upon up-to-date and credible information and realistic assumptions (derived from data analysis and expert judgement) and is performed using appropriate actuarial and statistical methods. The cash flow projections used in the calculation of the BEL take account of all the cash inflows and outflows required to settle the insurance obligations over their lifetime. The cash flows included in the BEL calculation are derived after applying Solvency II contract boundary rules, which determine whether future cash flows can be recognised as part of the in-force business. The BEL is calculated before deduction of the amounts recoverable from reinsurance contracts. Those amounts are calculated and presented separately.

D Valuation for solvency purposes (continued)

D.2 Technical provisions (continued)

The contract boundary rules define, when a policy is first included in the cash flows, which premiums should be allowed for in the cash flows, and when a policy should no longer be included in the cash flows.

The valuation methods and assumptions are described in more detail in Sections D.2.2 to D.2.4.

D.2.1.2 Risk margin

The risk margin is calculated in line with Solvency II requirements, and aims to ensure that the total technical provisions are equivalent to the cost of ceding the insurance obligations to a third party. The calculation assumes a 6% per annum cost of capital and applies to non-hedgeable risks only, with no diversification between the risks in different legal entities.

This calculation includes simplified methods and requires assumptions as to the run-off profile of non-hedgeable capital requirements for each material line of business, rather than a full projection of solvency capital requirements. The SCR for each non-hedgeable risk is assumed to run-off in-line with suitable profiles which differ depending on the types of non-hedgeable risks. The SCR each year is aggregated using a simplified correlation matrix.

The technical provisions for the Group are shown on a consolidated basis, eliminating intra-group transactions. The Group risk margin and TMTP are calculated as the sum of the amounts from the individual legal entities.

D.2.1.3 Technical provisions by line of business

Figure 32: Value of technical provisions

	As at 31 December						
	2020					2019	
Solvency II Line of business[1]	**Solvency II BEL £m**	**Solvency II Risk margin £m**	**Solvency II TMTP £m**	**Solvency II Total**[2] **£m**	**IFRS Total**[3] **£m**	Solvency II Total £m	IFRS Total £m
Insurance with-profit participation	**110,212**	**1,204**	**(750)**	**110,666**	**125,148**	110,318	125,190
Index-linked and unit-linked insurance	**20,514**	**127**	**(75)**	**20,566**	**20,878**	20,996	21,216
Other[4]	**40,532**	**2,888**	**(1,960)**	**41,460**	**40,566**	42,053	41,096
Total	**171,258**	**4,219**	**(2,785)**	**172,692**	**186,592**	173,367	187,501

[1] The lines of business include direct business and accepted reinsurance.
[2] Solvency II technical provisions are as reported in template S.02.01.02.
[3] IFRS liabilities as reported in the consolidated financial statements, include a further £848m (2019: £750m) of outstanding claims in addition to the amounts shown in this column. Under IFRS the outstanding claims are included in the contract liabilities whilst under Solvency II they are included in insurance and intermediary payables.
[4] Other is primarily comprised of Other life insurance but also includes minor amounts in respect of Health insurance and Non-life business.

The main differences in technical provisions between Solvency II and the IFRS consolidated financial statements (in which they are described as policyholder liabilities) are:

(a) The IFRS policyholder liabilities do not include an explicit risk margin as the allowance for risk is included within the assumptions. An explicit risk margin of £4,219m (2019: £4,302m) is held under Solvency II, but the amount is partially offset by TMTP which smooths the impact from the previous Solvency I regime.

The TMTP is run-off in a straight line over 16 years to 2032, and is recalculated at least every two years, or if there has been a significant change in the risk profile of the business since the previous calculation. The TMTP is based on the last approved regulatory recalculation, the most recent of which was performed as at 31 March 2020 and reduces the Group's technical provisions by £2,785m (2019: £2,766m) (see Section D.2.4.4 for further details).

(b) Insurance with-profit participation differences:

- The unallocated surplus of the With-Profits Fund represents the excess of the fund's assets over policyholder liabilities that are yet to be apportioned between policyholders and shareholders. Under IFRS, the unallocated surplus of £15,621m (2019: £16,072m) is recorded as a liability, whilst there is no equivalent in the Solvency II balance sheet.
- Under IFRS, the policyholder liabilities for closed with-profits funds (i.e. the SAIF sub-fund) are increased by £373m (2019: £308m) so that the surplus of the sub-fund is nil, whereas the distribution of surplus is not recognised within the Solvency II BEL.
- In contrast, the Solvency II technical provisions allow for future enhancements to asset shares in respect of profits on non-profit business of £817m (2019: £757m) and for the tax payable on shareholder transfers of £380 (2019: £310m) , with no equivalent adjustments under IFRS.

(c) The method of calculation and the assumptions used to value non-profit liabilities differ between Solvency II and IFRS. The main differences are:

- The value of the excess of future charges over expenses on unit-linked investment contracts are recognised under Solvency II but not under IFRS resulting in £392m (2019: £420m) lower liabilities under Solvency II;
- Non-economic assumptions on non-profit business generally contain margins for risk and uncertainty under IFRS (or additional reserves are held) compared to the best estimate assumptions applied under Solvency II, resulting in £3,130m (2019: £2,700m) lower liabilities under Solvency II; and
- Economic assumptions, including the discount rate, differ between Solvency II and IFRS, resulting in a £2,739m (2019: £2,512m) increase in liabilities under Solvency II.

D Valuation for solvency purposes (continued)

D.2 Technical provisions (continued)

D.2.1.4 Reinsurance recoverables

The Group primarily uses reinsurance to manage insurance risk exposure, particularly in respect of longevity risk. Under both IFRS and Solvency II, the full expected cost of claims is included within the technical provisions and the corresponding reinsurance recoverables are shown as an asset.

The valuation methods and assumptions for reinsurance recoverables are consistent with the methods and assumptions for the corresponding technical provisions. The value of the reinsurance recoverable asset is the Group's best estimate of future reinsurance cash flows, where this figure allows for the probability of partial or total default by the reinsurer. In accordance with the Solvency II regulations, a simplified approach to calculating the counterparty default adjustment has been adopted. In certain cases, for example longevity swaps, the value of the reinsurance recoverable can be negative.

The following table shows the reinsurance recoverables (net of intra group transactions) compared to the amounts under IFRS.

Figure 33: Value of reinsurance recoverables

	As at 31 December	
	2020	2019
Reinsurance recoverables[1]	**£m**	£m
Insurance with-profit participation	**—**	(1)
Index-linked and unit-linked insurance	**2,132**	2,157
Other[2]	**11,958**	12,308
Total Solvency II	**14,088**	14,465
Total IFRS	**11,761**	11,958
Difference	**(2,327)**	(2,507)

[1] The lines of business include direct business and accepted reinsurance.
[2] Includes annuities, health insurance and Non-Life business.

The majority of the difference between Solvency II and IFRS values for reinsurance recoverables relates to presentational differences. Under IFRS, reinsurance arrangements that do not transfer significant insurance risk are reported as 'deposits' contributing £2,057m (2019: £2,083m) to the difference.

The residual amount primarily reflects differences in the underlying technical provisions that have been reinsured.

The most significant Solvency II reinsurance recoverable of £12.2bn (2019: £12.4bn) relates to the reinsurance arrangement with Rothesay Life reported within 'other life insurance' in the table above.

D.2.2 Solvency II Technical Provisions methodology and assumptions

Further details of the methodology and assumptions used for each material line of business are discussed below. The methods chosen for each line of business are proportionate to the nature, scale and complexity of the underlying risks.

The key assumptions required in the valuation of technical provisions are:

- Economic assumptions, most of which are published by the PRA (prior to 31 December 2020 the technical information was obtained from the European Insurance and Occupational Pensions Authority) and set by reference to market data at the valuation date;
- Non-economic assumptions, used to derive non-market related BEL cash flows (for example future claims and expenses); and
- Assumptions in respect of dynamic management actions and policyholder behaviour.

D.2.2.1 Economic assumptions

The principal economic assumption is the risk-free interest rate term structure. The risk-free curves at which BEL cash flows are discounted are specified by the PRA. These curves are based on market swap rates adjusted for credit risk. The resulting 10-year risk-free spot rates for the material currencies are given below, after the credit risk adjustment.

Figure 34: 10 year risk-free rates

	As at 31 December	
Currency	**2020**	2019
British Pound	**0.29 %**	0.91 %
Euro	**(0.37)%**	0.11 %

For most non-profit annuity business, a matching adjustment is applied to the risk-free curve to discount the BEL cash flows (see Section D.2.4.3). In line with Solvency II requirements, the matching adjustment is not applied when calculating the risk margin. The matching adjustment for shareholder annuities as at 31 December 2020 was 110 basis points ("bps") per annum (2019: 110bps). The equivalent matching adjustment for the annuities in the With-Profits Fund as at 31 December 2020 was 83 bps per annum (2019: 91bps).

D Valuation for solvency purposes (continued)

D.2 Technical provisions (continued)

D.2.2.2 Non-economic assumptions

Persistency, mortality, expense and option take-up assumptions are derived from analysis of recent historical experience data, and also reflect expected future experience. Where relevant and material, allowance is also made for the way in which policyholder behaviour is expected to vary in line with economic conditions.

Assumptions are set at realistic, best-estimate levels. If experience varies from the assumptions the result would impact the available capital the Group holds to meet its obligations.

D.2.3 Details on methodology and assumptions by lines of business

D.2.3.1 Participating business

The BEL for participating business is, in most cases, calculated based on a retrospective calculation of accumulated asset shares, adjusted to reflect any future policy-related liabilities and other outgoings that cannot be charged to asset shares (for example, the excess of projected expenses over any fixed charges). Asset shares broadly reflect the policyholders' share of the participating fund assets attributable to their policies. For some business, a retrospective asset share calculation is not appropriate (for example, business where expected future benefit payments are not based on asset shares) and a prospective valuation approach is used, based on discounting expected future benefit and expense cash flows.

Asset shares methodology, principles and practices are detailed in the Principles and Practices of Financial Management ("PPFM") document. This document is available online.

The future policy related liabilities include a market-consistent stochastic valuation of the cost of all material guarantees, options and smoothing, less any related charges. Certain contracts written in the With-Profits Fund give potentially valuable guarantees to policyholders, or options to change policy benefits which can be exercised at the policyholders' discretion.

Most with-profits contracts give a guaranteed minimum payment on a specified date or range of dates or on death if before that date or dates. For most pensions products, the specified date is the policyholder's chosen retirement date or a range of dates around that date. For endowment contracts, guarantees apply at the maturity date of the contract. For with-profits bonds it is often a specified anniversary of commencement, in some cases with further dates thereafter.

The main types of options and guarantees offered for with-profits contracts are as follows:

- For conventional with-profits contracts, including endowment assurance contracts and whole of-life assurance contracts, payouts are guaranteed at the sum assured together with any declared regular bonus.
- Conventional with-profits deferred annuity contracts have a basic annuity per annum to which bonuses are added. At maturity, the cash claim value will reflect the current cost of providing the deferred annuity. Regular bonuses when added to with-profits contracts usually increase the guaranteed amount.
- For unitised with-profits contracts and cash accumulation contracts the guaranteed payout is the initial investment (adjusted for any withdrawals, where appropriate), less charges, plus any regular bonuses declared. If benefits are taken at a date other than when the guarantee applies, a market value reduction may be applied to reflect the difference between the accumulated value of the units and the market value of the underlying assets.
- For certain unitised with-profits contracts and cash accumulation contracts, policyholders have the option to defer their retirement date when they reach maturity, and the terminal bonus granted at that point is guaranteed.
- For with-profits annuity contracts, there is a guaranteed minimum annuity payment below which benefit payments cannot fall over the lifetime of the policies.
- Certain pensions products have guaranteed annuity options at retirement, where the policyholder has the option to take the benefit in the form of an annuity at a guaranteed conversion rate.

The stochastic projections allow for realistic management actions consistent with the operation of the participating funds. Examples of these management actions include:

- Dynamic adjustments to reversionary and terminal bonus rates. This includes adjusting reversionary bonuses to target a specified range of terminal bonus cushion at maturity, or to maintain the solvency ratio of the participating fund in stressed conditions. For terminal bonuses, smoothing rules apply, limiting the year-on-year change for the same bonus series.
- Market value reductions. For some accumulating with-profits policies, market value reductions may apply, subject to certain limits.
- Dynamic investment strategy. Switching into lower-risk assets to maintain the solvency of the fund in stressed conditions.
- Dynamic new business strategy. Restricting the volume of new business written to maintain the solvency of the fund in stressed conditions.

In addition, an amount is held with respect to historical pensions mis-selling. The pensions mis-selling review covers customers who were sold personal pensions between 29 April 1988 and 30 June 1994, and who were advised to transfer out, not join, or opt out of their employer's Defined Benefit Pension Scheme. During the initial review some customers were issued with guarantees that redress will be calculated on retirement or transfer of their policies. The provision continues to cover these customers.

Whilst PAC believed it met the requirements of the FSA (the UK insurance regulator at the time) to issue offers of redress to all impacted customers by 30 June 2002, there is a population of customers who, whilst an attempt was made at the time, to invite them to participate in the review, may not have received their invitation. These customers are being re-engaged to ensure that they have the opportunity to take part in the review. The provision also covers this population. As at 31 December 2020, the pension mis-selling reserve included within the BEL was £303m (2019: £420m).

The decrease in provision reflects utilisation of the provision in respect of redress paid and rectification costs incurred and the impact of updating assumptions for future redress payments to more accurately reflect expectations for the remaining population.

D Valuation for solvency purposes (continued)

D.2 Technical provisions (continued)

D.2.3.2 Non-profit annuity business

The BEL for non-profit annuity business is a discounted value of expected future annuity payments and associated expenses. The key assumptions relate to mortality rates, including expectations of future mortality improvements, expenses and the discount rate. The discount rate for most non-profit annuity business uses a matching adjustment and this is described within Section D.2.4.3.

Annuitant mortality (longevity) assumptions

Mortality assumptions for annuity business are set in light of recent population and internal experience, with an allowance for expected future mortality improvements. Given the long-term nature of annuity business, annuitant mortality remains a significant assumption in determining policyholder liabilities. The assumptions used reference recent population mortality data, with specific risk factors applied on a per policy basis to reflect the features of the Group's portfolio.

The mortality improvements observed in recent population data have been considered as part of the judgement exercised in setting the mortality basis for 2020. New mortality projection models are released annually by the Continuous Mortality Investigation ("CMI"). The CMI tables used are adjusted as appropriate each year to reflect anticipated mortality improvements. The CMI 2018 model does not take into account higher mortality improvements observed during 2019, and the Group has therefore adopted a stronger than default calibration of the CMI 2018 model.

An increase in mortality rates has been observed during 2020 due to the COVID-19 pandemic and may be expected to continue to some extent over the short term, particularly in relation to the annuitant population which has a higher average age than the non-annuitant population. However, the longer term implications for mortality rates amongst the annuitant population are unknown at this stage. While no change has been made to the annuitant mortality assumptions directly as a result of COVID-19, this is an area the Group continues to monitor.

In addition, the proportion married assumption has been updated in line with updated historical information to reflect that the number of first life annuitants who remain married reduces gradually over time.

Expenses

Maintenance expense assumptions are expressed as per policy amounts. They are set based on forecast expense levels, including an allowance for ongoing investment management expenses and are allocated between entities and product groups in accordance with the Group's internal cost allocation model. Expense inflation assumptions are set consistent with the economic basis and based on the inflation swap spot curve.

Deflation reserve

Some index-linked non-profit annuity business contains a guarantee that the annuity payment will not reduce during periods of deflation. A simulation method (i.e. stochastic model) is used to determine the associated embedded guarantee cost. A provision is held for this guarantee, which is calculated by comparing to backing assets with a similar guarantee.

D.2.3.3 Unit-linked business

The BEL for these contracts reflects both the value of policyholder unit funds and the non-unit liability. The non-unit liability can be negative, and reflects the discounted value of fee income from the unit funds less allowances for expenses and the cost of insurance benefits. Assumptions are also made for expected mortality and morbidity experience, as relevant, where the products include insurance riders (add-ons to the initial policy to provide additional insurance coverage), and also expected persistency.

Some unit-linked business contains a financial guarantee. A simulation method (i.e. stochastic model) is used to determine the associated guarantee cost.

D.2.3.4 Other business

For 'other business' the BEL is calculated as the present value of expected future benefit payments and associated expenses less the value of expected future premium income. Assumptions are made for expected persistency and mortality/morbidity experience, as relevant.

D Valuation for solvency purposes (continued)

D.2 Technical provisions (continued)

D.2.4 Long-term guarantee measures on technical provisions

D.2.4.1 Transitional measures

The Group's technical provisions as at 31 December 2020 include an allowance for TMTP, in accordance with the Solvency II Directive. The TMTP is unaudited. The impact of these transitional measures is to increase the Group's Solvency II surplus by £1,483m (2019: £1,481m). This amount reflects the beneficial impact of the TMTP on the Group's eligible own funds and SCR, reduced by the amounts attributable to the With-Profits Fund.

The TMTP is considered high-quality capital and is a core part of the Solvency II reporting regime. The Group's regulated insurance undertakings, PAC and PPL, have received the necessary approvals from the PRA in respect of the TMTP. There is no TMTP for PIA.

The TMTP was recalculated as at 31 March 2020. The PRA granted written permission for this recalculation of the TMTP in June 2020.

The technical provisions as at 31 December 2020 and 31 December 2019 do not include a transitional measure on the risk-free interest rate term structure.

D.2.4.2 Volatility adjustment

The Group has not applied a volatility adjustment as at 31 December 2020 or 31 December 2019.

D.2.4.3 Matching adjustment

The matching adjustment referred to in the Solvency II regulations has been applied to most of the Group's non-profit annuities. An adjustment may be applied to the risk-free interest rate term structure if the conditions in the Solvency II Directive are met and approval has been obtained. The risk-free yield curve used to discount most of the Group's non-profit annuity liability cash flows is increased to include a matching adjustment, as approved by the PRA. The matching adjustment is calculated by reference to the credit spreads on the matching portfolio of assets, with deductions for the "fundamental spread" (i.e. credit risk allowance) as published by the PRA and for cash flow mismatch allowances.

Separate portfolios of assets are held for the Group’s With-Profits Fund-backed and shareholder-backed non-profit annuities (see D.2.2.1 for details of the matching adjustment).

D.2.4.4 Impact of transitional measures and long-term guarantees

The impact of the TMTP, which is unaudited, and the matching adjustment ("MA") on the Group's Solvency II results as at 31 December 2020 are shown in the table below:

Figure 35: Impact on Solvency II results of excluding TMTP and the MA

	As at 31 December							
	2020				2019			
	As reported in QRTs	**Impact of removing TMTP**	**Impact of removing MA**	**Total excluding TMTP and MA**	As reported in QRTs	Impact of removing TMTP	Impact of removing MA	Total excluding TMTP and MA
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Technical Provisions	**172,693**	**2,785**	**2,849**	**178,326**	173,367	2,766	2,910	179,043
Basic Own Funds	**14,684**	**(1,244)**	**(1,571)**	**11,870**	14,036	(1,249)	(1,477)	11,310
Own Funds eligible to cover Group SCR	**15,631**	**(1,244)**	**(1,571)**	**12,817**	14,889	(1,249)	(1,477)	12,163
Group SCR	**10,735**	**239**	**3,335**	**14,310**	10,419	232	3,367	14,018
Solvency ratio (regulatory view)	**146 %**	**(9)%**	**(47)%**	**90 %**	143 %	(15)%	(41)%	87 %
Own Funds eligible to cover Group MCR	**11,148**	**(1,232)**	**(1,404)**	**8,512**	10,774	(1,237)	(1,309)	8,227
Group MCR	**2,568**	**60**	**834**	**3,462**	2,501	58	842	3,401

D.2.5 Assumption changes

Changes to the assumptions used to calculate the Group's technical provisions as at 31 December 2020 are set out below:

- Changes to the matching adjustment allowance to reflect the asset mix and market conditions as at 31 December 2020;
- Changes to best estimate annuitant longevity assumptions to reflect recent experience and the partial release of provisions for uncertainty, which were adopted as a result of the Group's new longevity model;
- Changes to renewal expense assumptions to reflect forecast expense experience, allowing for planned transformation activity;
- Changes to investment expense assumptions to reflect changes in asset allocation;
- Changes to persistency and non-annuitant mortality assumptions to reflect the results of the most recent experience investigation;
- Changes to the assumed take-up of options offered under with-profits contracts; and
- Market-driven changes to economic parameters, including changes to risk-free rates as shown in Section D.2.2.1.

D Valuation for solvency purposes (continued)

D.2 Technical provisions (continued)

D.2.6 Level of uncertainty

The valuation of technical provisions relies upon the Group's best estimate of future liability cash flows, including the projection of the future level of the solvency capital requirement in the calculation of the risk margin. These cash flows are derived using best estimate assumptions, which are set using a combination of experience data, market data and expert judgement.

Uncertainty exists in the technical provisions as to whether the actual future cash flows will match those expected under the Group's best estimate assumptions. Over time, experience may differ from the best estimate assumptions or the Group's forward-looking expectations may evolve, such that assumptions will be updated with a consequent change in the value of future technical provisions.

The best estimate assumptions include assumptions about future economic conditions, for example interest rates and expense inflation levels; and assumptions about future non-economic experience, for example, longevity, mortality and policyholder behaviour. Assumptions are also made about future management actions.

Each assumption is set at the Group's best estimate of future experience and approved by the Audit Committee. However, each assumption is by its very nature assumed and so the actual future experience is not certain.

D.3 Valuation of other liabilities

D.3.1 Valuation of other liabilities

Unless otherwise stated, valuation of other liabilities is carried out in conformity with IFRS, where this is consistent with the requirements of Solvency II.

D.3.2 Valuation bases under Solvency II compared to IFRS

The valuation basis of material classes of other liabilities are described below. The categories reflect the Solvency II descriptions. The IFRS amounts allow for presentational changes noted in Figure 29 to allow a like-for-like comparison to the equivalent amounts under Solvency II.

D.3.2.1 Provisions other than technical provisions

Provisions other than technical provisions include provisions in respect of past annuity sales practices, staff benefits and restructuring. These are described below and the same value is used under IFRS and Solvency II.

Provisions in relation to annuity sales practices

Provisions include a provision for review of past annuity sales of £49m as at 31 December 2020 (2019: £100m).

PAC has agreed with the Financial Conduct Authority ("FCA") to review annuities sold without advice after 1 July 2008 to its contract-based defined contribution pension customers, and this review is now complete. In addition, PAC has been conducting a review of other similar but separate groups of annuities sold after 1 July 2008 which are outside the scope of the original review. The review is examining whether customers were given sufficient information about their potential eligibility to purchase an enhanced annuity, either from PAC or another pension provider. The ultimate amount that will be expended by PAC on the review will remain uncertain until the project is completed. The key assumptions underlying the provision are the average cost of redress per customer and the operational cost of performing the review per customer. An increase in the average cost of redress per customer for outstanding cases of 10% would result in the provision recognised increasing by £4m. An increase in the total operational cost of performing the reviews of 20% would result in the provision recognised increasing by £4m. In 2018, PAC agreed with its professional indemnity insurers that they will meet £166m of claims costs relating to the original review. Payments were received as quarterly instalments with the final payment received in early 2020.

Staff benefits

Staff benefits primarily relates to performance related bonuses expected to be paid to staff over the next three years.

Restructuring and demerger

Included in provisions is £61m as at 31 December 2020 (2019: £76m) related to change in control costs arising from the Demerger in 2019, which were expected to be incurred within four years of the separation from Prudential plc. An additional £9m (2019: £nil) of restructuring provisions are held in relation to redundancy costs.

D.3.2.2 Pension benefit obligations

i) Background

The Group operates three defined benefit pension schemes, which historically have been funded by the Group and Prudential plc. The largest defined benefit scheme as at 31 December 2020 is the Prudential Staff Pension Scheme ("PSPS"), which accounts for 81% (2019: 82%) of the present value of the underlying defined benefit pension liabilities.

The Group also operates two smaller defined benefit pension schemes that were originally established by the M&G Investments ("M&GGPS") and Scottish Amicable ("SASPS") businesses prior to their acquisition.

As at 31 December 2020, any surplus or deficit in the Schemes is apportioned as follows:

- PSPS is attributable 70% to the With-Profits Fund and 30% to the Group's shareholders;
- SASPS is attributable 40% to the With-Profits Fund, and 60% to the Group's shareholders; and
- M&GGPS is 100% attributable to the Group's shareholders.

These proportions may change in future years.

ii) Valuation and approach

The table below provides an overview of the IFRS surplus or deficit under each scheme, which are consistent with the values recognised in the Solvency II base balance sheet.

D Valuation for solvency purposes (continued)

D.3 Valuation of other liabilities (continued)

Figure 36: Valuations of pension schemes

	As at 31 December			
	2020		2019	
	Solvency II	**IFRS**	Solvency II	IFRS
	£m	**£m**	£m	£m
PSPS	**58**	**58**	41	41
SASPS	**(106)**	**(106)**	(28)	(28)
M&GGPS	**—**	**(64)**	—	37
Total	**(48)**	**(112)**	13	49

For IFRS, pension benefit obligations for defined benefit schemes are valued using the relevant IFRS valuation rules. Under IAS 19: Employee Benefits and IFRIC 14: IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, the Group can only recognise a surplus to the extent that it is able to access the surplus either through an unconditional right of refund or through reduced future contributions relating to ongoing service of active members.

The Group has no unconditional right of refund to any surplus in PSPS. Accordingly, PSPS's net economic surplus is restricted up to the Group's present value of the economic benefit, which is calculated as the difference between the full future cost of service for active members and the estimated future ongoing contributions. In contrast, the Group is able to access the surplus of SASPS and M&GGPS through an unconditional right of refund. Therefore, the surplus resulting from the schemes (if any) would be recognised in full. As at 31 December 2020 the SASPS and M&GGPS schemes are in deficit based on the IAS 19 valuation.The Solvency II balance sheet value of the PSPS and SASPS schemes is set equal to the IFRS carrying value.

Under IAS 19, insurance policies issued by a related party do not qualify as plan assets and are shown separately from the IAS 19 position. As at 31 December 2020 M&GGPS has investments of £201m (2019: £137m) in insurance policies issued by PPL, a subsidiary of the Group, through which it invests in certain pooled funds, and therefore are excluded from the IAS 19 valuation shown above. Therefore, while M&GGPS is in surplus on an economic basis, the elimination of the insurance policies means that it is in deficit on a IAS 19 basis in the IFRS consolidated statement of financial position.

The M&GGPS surplus is attributable to M&G Investments, which is consolidated based on its sectoral rules. Under these rules, the scheme's surplus, which exists on a standalone M&G Group Limited basis, is derecognised and therefore not included in the value of M&G Investments shown in Section D.1.2.6.

iii) Methodology and assumptions

The IAS 19 valuation prescribes market-based assumptions for the valuation of assets and liabilities. Within the market-based framework, IAS 19 prescribes that the discount rate for liabilities should be based on high quality corporate bonds (interpreted as corporate bonds with a credit rating of AA).

The actuarial assumptions used in determining the defined benefit obligations were as follows:

Figure 37: Pension scheme actuarial economic assumptions

	As at 31 December					
	2020			2019		
	PSPS	**SASPS**	**M&GGPS**	PSPS	SASPS	M&GGPS
Discount rate[1]	**1.2 %**	**1.3 %**	**1.3 %**	2.1 %	2.1 %	2.1 %
Salary inflation[2]	**3.0 %**	**2.9 %**	**2.9 %**	3.1 %	3.0 %	3.0 %
Retail Prices Index (RPI)	**3.0 %**	**2.9 %**	**2.9 %**	3.1 %	3.0 %	3.0 %
Consumer Prices Index (CPI)	**2.2 %**	**2.1 %**	**2.1 %**	2.1 %	2.0 %	2.0 %
Rate of increase of pensions in payment for inflation[3]						
CPI (maximum 5%)[4]	**2.5 %**	**n/a**	**n/a**	2.5 %	n/a	n/a
CPI (maximum 2.5%)[4]	**2.5 %**	**n/a**	**n/a**	2.5 %	n/a	n/a
Discretionary[4]	**2.5 %**	**n/a**	**n/a**	2.5 %	n/a	n/a
RPI (maximum 5%)	**n/a**	**2.9 %**	**2.9 %**	n/a	3.0 %	3.0 %
RPI (maximum 2.5%)	**n/a**	**2.5 %**	**2.5 %**	n/a	2.5 %	2.5 %

[1] The discount rate has been determined by reference to an 'AA' corporate bond index, adjusted where applicable to allow for the difference in duration between the index and the pension liabilities.
[2] Due to scheme changes during 2019, the pensionable salary used to determine scheme benefits was frozen at the 30 September 2019 levels for most members.
[3] The rate of inflation used reflects the long-term assumption for UK RPI or CPI, depending on the particular tranche of scheme benefits, with caps and floors applied in accordance with the scheme rules.
[4] Certain tranches of scheme benefits within PSPS have statutory pension increases in line with the higher of CPI up to a maximum level, or a discretionary level determined by the employer. Other tranches are not guaranteed and determined by the employer on a discretionary basis.

Post retirement mortality

The calculation of the defined benefit obligation for the Group's schemes requires assumptions to be set for both current mortality and the allowance for future mortality improvements. The table below sets out the mortality tables and mortality improvement model used for the Group's schemes, along with the associated life expectancies.

D Valuation for solvency purposes (continued)

D.3 Valuation of other liabilities (continued)

Figure 38: Pension scheme post retirement mortality assumptions

As at 31 December	Scheme	Mortality improvements model	Expectation of life from retirement at aged 60 Male currently aged 60	Male currently aged 40	Female currently aged 60	Female currently aged 40
	PSPS	**CMI 2018**	**27.3**	**29.5**	**28.6**	**30.6**
2020	**SASPS**	**CMI 2018**	**27.1**	**29.4**	**30.4**	**32.3**
	M&GGPS	**CMI 2018**	**28.8**	**30.8**	**30.3**	**32.2**
	PSPS	CMI 2017	27.3	29.5	28.5	30.4
2019	SASPS	CMI 2017	27.1	29.4	30.3	32.2
	M&GGPS	CMI 2017	28.8	30.8	30.2	32.0

Further information on the assumptions used in the valuation, and the sensitivity of the valuation to those assumptions, can be found in Note 18 of the M&G plc 2020 Annual Report and Accounts.

iv) Significant changes in the schemes during 2020

During 2020, PSPS entered into a longevity swap transaction with Pacific Life Re Limited. This arrangement provides long-term protection for PSPS against costs that could result from unexpected increases in life expectancy relating to the pensions that were in payment on 6 April 2019, excluding any future discretionary increases. As at 31 December 2020, the longevity swap covered £3.1bn of current pensioner scheme liabilities, on an IAS 19 basis.

v) Underlying investments of the schemes

The assets of each scheme, including the underlying assets represented by the investments in Group insurance policies, as at 31 December 2020 comprise the following investments:

Figure 39: Scheme assets

	As at 31 December				
	2020				2019
	PSPS	Other	Total		Total
	£m	£m	£m	%	£m
Equities:					
UK	**19**	**10**	**29**	**—**	15
Overseas	**14**	**65**	**79**	**1**	88
Bonds:					
Government	**4,855**	**840**	**5,695**	**60**	5,364
Corporate	**2,023**	**494**	**2,517**	**26**	2,240
Asset-backed securities	**283**	**26**	**309**	**3**	312
Derivatives(i)	**216**	**3**	**219**	**2**	187
Properties	**160**	**116**	**276**	**3**	294
Other assets	**314**	**155**	**469**	**5**	477
Total value of assets	**7,884**	**1,709**	**9,593**	**100**	8,977

(i) Included within derivatives is a £15m liability in respect of a longevity swap transaction with Pacific Life Re Limited (2019: nil).

D.3.2.3 Deferred tax liabilities

The principles of IAS 12 are applied to calculate deferred tax liabilities ("DTL"). The general principle is that a DTL is recognised for all taxable temporary differences unless it falls within a limited number of exemptions. Taxable temporary differences give rise to taxable amounts in determining taxable profit/loss of future periods when the carrying amount of the asset or liability is recovered or settled. DTLs are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period.

Temporary differences are calculated based upon the differences between the values given to assets and liabilities for tax purposes and their carrying values in the Solvency II balance sheet.

The DTL, net of DTA, as at 31 December 2020 had a Solvency II value of £802m (2019: £970m) and an IFRS value of £808m (2019: £987m), principally relating to unrealised gains on investments. Tax on these gains will mainly fall due when the underlying assets are sold.

Further information on deferred tax valuation differences is provided in Section D.1.2.3 above under the heading 'Deferred tax assets'.

D.3.2.4 Derivative liabilities

Derivative liabilities are valued at fair value in both Solvency II and IFRS. They are valued using quoted prices if exchange listed. Otherwise they are valued using quotations from third parties or valued internally using the discounted cash flow method in line with standard market consistent valuation techniques, subject to independent assessment against external counterparties' valuations.

D Valuation for solvency purposes (continued)

D.3 Valuation of other liabilities (continued)

D.3.2.5 Financial liabilities other than debts owed to credit institutions

Financial liabilities other than debts owed to credit institutions primarily relate to loans. These liabilities are fair valued on the Solvency II balance sheet using alternative valuation methods as described in Section D.1.1 and are at cost under IFRS, with a £82m (2019: £46m) difference between the values.

D.3.2.6 Other liabilities - overview

The table below shows the composition of the Solvency II 'other liabilities' shown in Figure 29.

Figure 40: Other liabilities

	As at 31 December					
	2020			2019		
	Solvency II	**IFRS[1]**	**Valuation difference**	Solvency II	IFRS[1]	Valuation difference
	£m	**£m**	**£m**	£m	£m	£m
Debts owed to credit institutions	**3,424**	**3,424**	**—**	3,745	3,745	—
Deposits from reinsurers	**344**	**344**	**—**	231	231	—
Insurance & intermediaries payables	**803**	**803**	**—**	708	708	—
Payables (trade, not insurance)	**2,818**	**2,818**	**—**	3,569	3,573	4
Reinsurance payables	**92**	**92**	**—**	86	86	—
Subordinated liabilities	**3,969**	**3,771**	**(198)**	3,762	3,807	45
Any other liabilities, not elsewhere shown	**—**	**—**	**—**	—	—	—
Total of 'Other liabilities'	**11,450**	**11,252**	**(198)**	12,101	12,150	49

[1]The IFRS figures are shown after the presentational changes shown in Figure 29 to align them with the Solvency II liability headings.

Other liabilities typically relate to contractual obligations where the amounts are known. With the exception of subordinated liabilities, these items have the same valuation under Solvency II as for IFRS and are measured at fair value determined using alternative valuation methods that are market consistent and represent the value to settle the liabilities with the third party.

The major component of debt and financial liabilities owed to credit institutions are over-the-counter derivatives and obligations under securities lending.

Payables includes lease liabilities of £354m (2019: £360m) which are described in more detail in Section D.3.2.8.

Subordinated liabilities are described below.

D.3.2.7 Subordinated liabilities

The Group's subordinated liabilities consist of subordinated notes which were transferred from Prudential plc on 18 October 2019. The transfer of the subordinated liabilities was achieved by substituting M&G plc in place of Prudential plc as issuer of the debt, as permitted under the terms and conditions of each applicable instrument.

Subordinated notes issued by M&G plc rank below its senior obligations and ahead of its preference shares (if these were issued) and ordinary share capital.

These debts are liabilities in the Solvency II balance sheet, but are treated as capital in Solvency II own funds because the terms of the debt allow the payments to be deferred or waived under certain conditions (see Section E.1.3 for further details of the notes and their Solvency II own funds treatment).

Debt liabilities are initially recognised at fair value in both IFRS and Solvency II. They are subsequently measured at amortised cost using the effective interest rate method on the IFRS consolidated statement of financial position but continue to be measured at fair value on the Solvency II balance sheet.

The Group's Solvency II valuation approach allows for changes in fair values due to changes in interest and exchange rates but does not take into account changes after initial recognition in the Group's own credit standing, as measured by credit spreads.

The principal repayable under the notes, and the Solvency II and IFRS values are shown in the table below.

Figure 41: Subordinated debt instruments

		As at 31 December					
		2020			2019		
	Principal amount	**Solvency II value**	**IFRS value inc accrued interest**	**IFRS value**	Solvency II value	IFRS value inc accrued interest	IFRS value
		£m	**£m**	**£m**	£m	£m	£m
5.625% sterling fixed rate due 20 October 2051	**£750m**	**902**	**865**	**856**	863	871	862
6.25% sterling fixed rate due 20 October 2068	**£500m**	**655**	**614**	**608**	607	614	608
6.50% US dollar fixed rate due 20 October 2048	**$500m**	**457**	**431**	**425**	445	452	448
6.34% sterling fixed rate due 19 December 2063	**£700m**	**906**	**854**	**853**	845	857	856
5.56% sterling fixed rate due 20 July 2055	**£600m**	**730**	**695**	**680**	690	699	684
3.875% sterling fixed rate due 20 July 2049	**£300m**	**319**	**312**	**307**	313	314	309
Total subordinated liabilities		**3,969**	**3,771**	**3,729**	3,762	3,807	3,767

D Valuation for solvency purposes (continued)

D.3 Valuation of other liabilities (continued)

The value shown in the IFRS consolidated statement of financial position excludes accrued interest (which is presented in a separate row). To provide a like-for-like comparison to the Solvency II presentation, the IFRS value including accrued interest is also shown in the table.

D.3.2.8 Lease liabilities

The Group has recognised liabilities of £354m (2019: £360m) in respect of lease liabilities, (primarily related to operating leases over land and buildings utilised as office space) in accordance with IFRS 16 leases on its IFRS consolidated statement of financial position.

Under IFRS, the lease liability is initially measured at the present value of lease payments that are not yet paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's own incremental borrowing rate.

Subsequently, the lease liability is measured at amortised cost, using the effective interest method. From time to time, the lease liability may be re-measured where there is a change in future lease payments, for example, where the Group reassesses whether it will exercise a purchase, extension or termination option. Where this happens, a corresponding adjustment is made to the carrying amount of the right of use asset or an amount is recognised in the IFRS consolidated income statement if the carrying amount of the right of use asset has been reduced to zero.

As at 31 December 2019, the value produced using the IFRS 16 valuation methodology was considered to provide the most representative estimate of the fair value required under Solvency II. This was because the Group's most material leases had recently been entered into, and so the discount rate used in the IFRS valuation closely represented the fair value of lease liabilities. During 2020, the Group's approach for measuring the fair value of the lease liability under Solvency II was updated to be based upon a revised present value of future lease liability payments rather than the IFRS value. The discount rate used is based on the Group's incremental borrowing rate but unlike IFRS, is updated each period to reflect current market conditions, excluding any change in the borrowing rate which reflect changes in the Group's own credit standing in line with the Solvency II regulations.

D.3.2.9 Contingent liabilities

Under IFRS, contingent liabilities (as determined in accordance with IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets') are disclosed but not recognised. For the Solvency II balance sheet, contingent liabilities (under the same definition as IFRS) are required to be recognised where they are material.

Material contingent liabilities are recognised on the Solvency II balance sheet as the probability-weighted average of future cash flows required to settle the contingent liability over the lifetime of that liability, discounted at the risk-free rate of interest.

As at 31 December 2020 and 31 December 2019 there were no material contingent liabilities that were recognised as a liability under Solvency II.

D.4 Alternative methods for valuation

The use of alternative methods for valuation by the Group are discussed in Sections D.1 to D.3, with D.1.1 providing qualitative information on the sensitivity of financial assets and liabilities to changes in unobservable inputs used in the valuation.

Valuation uncertainty refers to the variability of the fair value measurement that exists at any given reporting date/time for a financial instrument or portfolio of positions. Valuation uncertainty arises because the realisable value of an asset can take a range of possible values at a single point in time. The width of the range will vary between asset classes, depending on the valuation technique used, with the degree of valuation uncertainty being lower for highly liquid listed securities and higher for hard-to-value or illiquid assets where prices are not readily available.

To the extent that the assets or liabilities relate to the With-Profits Fund, valuation uncertainty does not have a significant impact on the Group's Solvency II surplus.

The Group has in place Independent Price Verification ("IPV") Group Wide Operating Standards, which prescribe minimum standards that should be applied in valuation of financial assets including those managed by third parties.

The standards include establishing valuation and oversight committees and setting appropriate IPV policies, procedures and controls around the independent verification of asset prices, pricing parameters and valuation model inputs. The standards require documentation of the process for assessing valuation uncertainty, including the controls surrounding valuation models and an understanding of the model assumptions and limitations.

The Group has developed Group-wide IPV procedures which cover all investment asset classes owned by the Group, and set minimum requirements for the governance surrounding valuation pricing. These standards require that processes are established to verify the accuracy and independence of model inputs and market prices provided by third parties. Where mark to market valuations are not available from independent price sources, the IPV standards set minimum requirements for alternative methodologies including mark to model valuations.

The Group's valuation policies, procedures and analysis for instruments valued using alternative valuation methods with significant unobservable inputs are overseen by relevant committees as part of the Group's wider financial reporting governance processes. The procedures undertaken include approval of valuation methodologies, verification processes, and resolution of significant or complex valuation issues. In undertaking these activities, the Group makes use of the extensive expertise of its Asset Management functions. In addition, the Group has minimum standards for independent price verification to ensure valuation accuracy is regularly independently verified. Adherence to this policy is monitored.

The analysis of investment pricing performed for recent periods has demonstrated that the fair values used by the Group lie within a reasonable range.

D.5 Material differences in solvency valuation between the Group and its subsidiaries

There are no material differences in the valuation for solvency purposes between the Group and its subsidiaries.

D.6 Any other information

There is no other material information regarding the Group's valuation of assets and liabilities for solvency purposes other than that disclosed in the sections above.

E Capital management

To the extent these disclosures relate to the risk margin, TMTP and/or the Solvency Capital Requirement, they are not subject to audit and have not been audited.

The Group uses the default accounting consolidation based method (described as "Method 1" in the Solvency II Directive) to calculate its Group Solvency II position. Under this method the calculation of group solvency is carried out on the basis of the IFRS consolidated statement of financial position valued in accordance with Solvency II rules, as described in Section D.

Under this method, the own funds position of the Group is primarily calculated on the basis of consolidated data, being the line-by-line aggregation of the assets and liabilities of the undertakings in the Group, following IFRS accounting consolidation methodology.

This method treats the Group as if it were a single economic unit and allows for diversification benefits based on the consolidated data within the SCR.

The own funds and SCR for undertakings operating in other financial sectors, and certain other undertakings, are separately determined and consolidated as single line participations, as described in Sections E.1 (own funds) and E.2 (SCR) below. In particular, for OEICs, unit trusts and other investment funds meeting the definition of a participation under Solvency II, the Group's interests in these entities, valued on a Solvency II basis, are presented as a single line within 'Holdings in related undertakings, including participations'.

A full list of undertakings within the scope of the Group, including the consolidation approach, is provided in the regulatory template S.32.01.22 in the Appendix.

E.1 Own funds

E.1.1 Objectives, policies and processes for managing own funds

The Group manages its capital using Group Solvency II own funds as its measure of capital. It manages its Solvency II capital to ensure that sufficient own funds are available on an ongoing basis to meet regulatory capital requirements, at both the Group level and for each of its regulated undertakings.

The Group produces a Medium Term Capital Plan as part of its business planning process. The business plan is prepared annually on a rolling basis and currently covers the period to 2024.

There have been no material changes in the objectives, policies or processes for managing the Group's own funds in the year.

The Group manages its business according to a shareholder view of solvency which is considered to provide a more relevant reflection of the capital strength of the Group. The Group shareholder Solvency II capital position (and solvency ratio) are calculated excluding the contribution to own funds and SCR from the ring-fenced With-Profits Fund.

The Group's shareholder Solvency II own funds as at 31 December 2020 are £10,735m (2019: £10,322m). This figure allows for the latest regulatory approved recalculation of the TMTP reflecting operating and market conditions as at 31 March 2020. The corresponding Group consolidated own funds shown on the regulatory template S.23.01.22 are £15,631m (2019: £14,889m) after including the own funds attributable to the With-Profits Fund, but restricted to the amounts necessary to cover the fund's SCR.

A reconciliation from the estimated Group shareholder Solvency II capital position published in the 2020 IFRS consolidated financial statements to the Group Solvency II position disclosed in the regulatory template is provided in Section E.1.2 below.

The Group's basic, available and eligible own funds to cover the Group's solvency capital requirement and minimum capital requirement as at 31 December 2020 are shown in Section E.1.3 below.

E.1.2 Group shareholder Solvency II capital position

Reconciliation of Solvency II capital position published in the M&G plc 2020 Annual Report and Accounts to the QRTs

The Group disclosed an estimated Group Solvency II capital surplus of £4.8bn as at 31 December 2020 (2019 : £4.5bn) in the M&G plc 2020 Annual Report and Accounts. This assumed a TMTP which had been recalculated reflecting management's estimate of operating and market conditions as at 31 December 2020, and therefore differed to the latest approved regulatory TMTP shown within this report.

A reconciliation of the Group shareholder Solvency II capital position to the one disclosed in the 2020 QRTs (S.23.01.22 and S.25.03.22) is shown in the table below.

Figure 42: Reconciliation of the Group shareholder Solvency II capital position to that disclosed in the QRTs

	As at 31 December 2020			
	Own funds	SCR	Surplus	Solvency ratio
	£m	£m	£m	%
Group shareholder Solvency II capital position as disclosed in the M&G plc 2020 Annual Report and Accounts[1]	10,643	5,860	4,783	182 %
Impact of moving to latest regulatory approved TMTP	93	(20)	113	
With-Profits Fund capital position[2]	11,896	4,895	7,001	243 %
Ring-fenced funds consolidation of own funds limited to SCR balances	(7,001)	—	(7,001)	
Group regulatory Solvency II capital position as disclosed in templates S.23.01.22 and S.25.03.22	15,631	10,735	4,896	146 %

[1] The figures in the M&G plc 2020 Annual Report and Accounts were disclosed in £bn.

[2] The With-Profits Fund capital position shown above reflects own funds and SCR calculated using the latest approved regulatory TMTP (corresponding to a solvency ratio of 243%) rather than the TMTP recalculated reflecting management's estimate of operating and market conditions as at 31 December 2020 (corresponding to a solvency ratio of 242%) which was disclosed within the M&G plc 2020 Annual Report and Accounts.

E Capital management (continued)

E.1 Own funds (continued)

E.1.3 Analysis of the components of own funds

Items of own funds vary in their ability to absorb losses and within the Solvency II regulations are classified into three tiers to reflect their quality (ability to absorb losses), with Tier 1 the highest quality and Tier 3 the lowest.

The tiering of own funds is primarily based on their availability to meet losses and subordination. Additional features also considered are: sufficient duration, absence of incentives to redeem, absence of mandatory servicing costs and absence of encumbrances.

These characteristics are described below:

- Permanent availability refers to whether an item is available, or can be called up on demand, to fully absorb losses on a going concern basis, as well as in the case of a winding-up.
- Subordination refers to whether, in the case of a winding-up, the total amount of the item is available to absorb losses and the repayment of the item is refused to its holder until all other obligations, including insurance and reinsurance obligations towards policyholders and beneficiaries of insurance and reinsurance contracts, have been met.
- Sufficient duration requires that consideration be given to the duration of the item, in particular whether the item is dated or not. Where an own fund item is dated, the relative duration of the item as compared to the duration of the relevant insurance obligations should be considered.
- Absence of incentives to redeem refers to whether the item is free from requirements or incentives to redeem the nominal sum.
- Absence of mandatory servicing costs refers to whether the item is free from mandatory fixed charges.
- Absence of encumbrances refers to whether the item is free from encumbrances. Encumbrances include factors such as rights of set off, restrictions and charges or guarantees.

Tier 1 own funds must substantially possess the characteristics of permanent availability and subordination taking into consideration the additional features described above. Tier 2 items must substantially possess the characteristics of subordination taking into consideration the additional features.

Where own funds do not meet the criteria to be classified as Tier 1 or Tier 2, the items will be classified as Tier 3.

The components of the Group's own funds have been assessed relative to these requirements and classified into the relevant tier.

There are certain regulatory limits regarding the eligibility of own funds to meet capital requirements. The key eligibility limits, which apply to entities consolidated using Method 1 are as follows:

- At least 50% of the Group SCR must be covered by Tier 1 own funds (and no more than 20% of those Tier 1 items may be hybrid instruments such as subordinated liabilities) and a maximum of 15% may be covered by Tier 3.
- At least 80% of the Group MCR must be covered by Tier 1 (and no more than 20% of those Tier 1 items may be hybrid instruments such as subordinated liabilities). Tier 3 own funds are not eligible to cover the Group MCR. This in effect means that Tier 2 basic own funds are eligible as long as they cover no more than 20% of the Group MCR.

The table below shows the components that make up the Group's basic, available and eligible own funds amounts as at 31 December 2020. Of the £3,969m of Tier 2 capital only £514m (20% of the Group MCR), is eligible to meet the Group MCR.

Figure 43: Analysis of components of own funds

	As at 31 December					
	Total 2020	**Tier 1 unrestricted**	**Tier 1 restricted**	**Tier 2**	**Tier 3[f]**	Total 2019
	£m	**£m**	**£m**	**£m**	**£m**	£m
Ordinary share capital including share premium[a]	**500**	**500**	**—**	**—**	**—**	500
Surplus funds[b]	**12,727**	**12,727**	**—**	**—**	**—**	13,223
Reconciliation reserve[c]	**(1,645)**	**(1,645)**	**—**	**—**	**—**	(2,597)
Subordinated liabilities[d]	**3,969**	**—**	**—**	**3,969**	**—**	3,762
Net deferred tax assets	**80**	**—**	**—**	**—**	**80**	1
Deductions for participations in credit institutions, investment firms and financial institutions	**(947)**	**(947)**	**—**	**—**	**—**	(853)
Total eligible own funds to meet the Group MCR	**11,148**	**10,634**	**—**	**514**	**—**	10,774
Total eligible own funds to meet the Group SCR (excluding other financial sectors)	**14,684**	**10,634**	**—**	**3,969**	**80**	14,036
Participations in credit institutions, investment firms and financial institutions[e]	**947**	**947**	**—**	**—**	**—**	853
Total eligible own funds to meet the Group SCR (including other financial sectors)	**15,631**	**11,582**	**—**	**3,969**	**80**	14,889

a. Ordinary share capital (Tier 1 unrestricted capital)

The Group's ordinary share capital (£130m) represents the nominal value of 5p for each fully paid equity share issued. The difference between the proceeds received on issue of shares, net of issue costs, and the nominal value of shares issued is treated as share premium (£370m).

b. Surplus funds (Tier 1 unrestricted capital)

Surplus funds arise from the ring-fenced With-Profits Fund. The value of surplus funds reported represents the excess of assets over liabilities (excluding the risk margin) of those ring-fenced funds after deducting the present value of the expected future shareholder transfers (net of any related tax borne by the With-Profits Fund). Having considered the features of Tier 1 own fund instruments set out in the Solvency II regulations, the Group has classified surplus funds under Tier 1.

E Capital management (continued)

E.1 Own funds (continued)

In accordance with the template S.23.01.22 (Own Funds) presentation requirements, the value of surplus funds reported on the template is prior to ring-fencing related restrictions being applied. The related restrictions are included as a deduction in the Reconciliation Reserve under "Restrictions applied to own funds due to ring-fencing". As such, the contribution of surplus funds towards the Group's own funds is lower than that reported above in Figure 43 and on the face of the Own Funds template.

c. Reconciliation reserve (Tier 1 unrestricted capital)

The reconciliation reserve represents the excess of assets over liabilities after deducting other basic own funds items, applying a restriction to own funds due to ring-fencing for the With-Profits Fund and deducting own shares held, as shown in the table below.

Figure 44: Analysis of components of the reconciliation reserve

	As at 31 December	
	2020	2019
	£m	£m
Excess of assets over liabilities	**18,798**	18,781
Deductions[1]		
Own shares (held directly and indirectly)	**(135)**	(26)
Foreseeable dividends, distributions and charges	**—**	—
Other basic own fund items	**(13,307)**	(13,724)
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**(7,001)**	(7,628)
Other non-available own funds	**—**	—
Reconciliation reserve	**(1,645)**	(2,597)

[1] The template S.23.01.22 (Own Funds) presents the deductions as positive numbers.

The reconciliation reserve is volatile as it captures changes impacting the Group's assets and liabilities, including due to experience differing from assumptions, dividend payments, and the movement in the ring-fenced fund restrictions.

d. Subordinated liabilities (Tier 2 capital)

As at 31 December 2020, the Group's subordinated liabilities consist of subordinated notes which were transferred from Prudential plc at the time of the Demerger. These subordinated notes issued by the Company rank below its senior obligations and ahead of its ordinary share capital, and under Solvency II regulations these subordinated instruments are permitted to be treated as capital.

A description of the key features, including maturity and call dates, for each of the Group's subordinated notes as at 31 December 2020 is described in Figure 45.

Also shown in Figure 45 is the Solvency II valuation of these instruments. The Solvency II valuation of £3,969m as at 31 December 2020 (2019: £3,762m) is based on fair value but excludes the impact arising from changes in own credit standing since initial recognition. The increase in the value of the subordinated debt since 31 December 2019 primarily reflects a fall in the risk free rate of interest offset by payments of coupons since that time.

Figure 45: Key features of the Group's subordinated notes

	5.625% Sterling fixed rate	6.25% Sterling fixed rate	6.5% US Dollar fixed rate	6.34% Sterling fixed rate	5.56% Sterling fixed rate	3.875% Sterling fixed rate
Principal amount	**£750m**	**£500m**	**$500m**	**£700m**	**£600m**	**£300m**
Issue date[1]	**1 October 2018**	**1 October 2018**	**1 October 2018**	**16 December 2013 (amended 10 June 2019)**	**9 June 2015 (amended 10 June 2019)**	**8 July 2019**
Maturity date	**20 October 2051**	**20 October 2068**	**20 October 2048**	**19 December 2063**	**20 July 2055**	**20 July 2049**
Callable at par at the option of the Company from	**20 October 2031 (and each semi-annual interest payment date thereafter)**	**20 October 2048 (and each semi-annual interest payment date thereafter)**	**20 October 2028 (and each semi-annual interest payment date thereafter)**	**19 December 2043 (and each semi-annual interest payment date thereafter)**	**20 July 2035 (and each semi-annual interest payment date thereafter)**	**20 July 2024, 20 July 2029 (and each semi-annual interest payment date thereafter)**
Solvency II own funds treatment	**Tier 2**	**Tier 2**	**Tier 2**	**Tier 2**	**Tier 2**	**Tier 2**
Solvency II value as at 31 December 2020	**£902m**	**£655m**	**£457m**	**£906m**	**£730m**	**£319m**
Solvency II value as at 31 December 2019	£863m	£607m	£445m	£845m	£690m	£313m

[1] The subordinated notes were issued by Prudential plc rather than by M&G plc. They were initially recognised by M&G plc on 18 October 2019.

E Capital management (continued)

E.1 Own funds (continued)

Transitional provisions within Solvency II rules allow existing items qualifying as capital under the Solvency I regime to be 'grandfathered' into Tier 1 or Tier 2 when they do not otherwise meet the criteria for classification as own funds under Solvency II rules. None of these instruments rely upon transitional provisions and instead directly qualify as Tier 2 capital under Solvency II.

For a liability to be included in own funds it must, at a minimum, be subordinate to all claims of policyholders, beneficiaries and non-subordinated creditors.

All of the instruments provide for the suspension of repayment or redemption, where there is non-compliance with the SCR or repayment or redemption would lead to such non-compliance, unless otherwise permitted by the PRA. Similarly all payments (other than payments to the Trustee in accordance with the Trust Deed) shall unless otherwise permitted by the PRA, be conditional upon M&G plc satisfying the SCR and MCR at the time of, and immediately after any such payment.

e. Participations in credit institutions, investment firms and financial institutions (Tier 1 unrestricted capital)

The Group's undertakings operating in other financial sectors (the most significant of which is M&G Investments) are valued using their sectoral (if regulated) or notional sectoral rules (if unregulated).

f. Value of net deferred tax assets (Tier 3 capital)

The value of net deferred tax assets as disclosed on the Solvency II balance sheet is required to be treated as Tier 3 capital under the Solvency II regulations. There was £80m of net deferred tax assets as at 31 December 2020 (2019: £1m), after offsetting deferred tax liabilities, where appropriate.

Changes in composition of own funds during 2020

There have been no significant changes in the composition of own funds during 2020.

Ancillary own funds

The Group had no ancillary own funds as at 31 December 2020.

E.1.4 Change in own funds for the year ended 31 December 2020 (Unaudited)

Figure 46 below and the accompanying commentary provide the reasons for the changes in the components which make up the Group's own funds during 2020.The overall change in Solvency II own funds over the period is analysed as follows:

- Total own funds generation is the total change in Solvency II own funds before dividends and capital movements, and own funds generated from discontinued operations.
- Operating own funds generation is the total own funds generation before tax, adjusted to exclude market movements relative to those expected under long-term assumptions and to remove other non-operating items, including shareholder restructuring and other costs as defined under adjusted operating profit before tax (see Section A.2). It has two components:
  a. Underlying own funds generation, which includes: the underlying expected own funds from the in-force life insurance business; the change in own funds as a result of writing new life insurance business; the adjusted operating profit before tax from Asset Management; and other items, including head office expenses and debt interest costs; and
  b. Other operating own funds generation, which includes non-market related experience variances, assumption changes, modelling improvements and other movements.

The analysis has been produced assuming the TMTP has been dynamically recalculated throughout the reconciliation, and is shown separately for the regulatory own funds, the ring-fenced With-Profits Fund's own funds and the residual shareholder business' own funds.

E Capital management (continued)

E.1 Own funds (continued)

Figure 46: Analysis of change in own funds for the year ended 31 December 2020

		For the year ended 31 December 2020		
		Shareholder view £m	With-Profits Fund view £m	Regulatory view[1] £m
Own funds as at 31 December 2019		**10,322**	**12,196**	**14,889**
Savings and Asset Management	Asset management	316	—	316
	With-profits[1]	163	—	163
	- of which: In-force	151	—	151
	- of which: New business	12	—	12
	Other	26	—	26
	Savings and Asset Management underlying own funds generation	505	—	505
Heritage	With-profits[1]	100	—	100
	Shareholder annuity and other	193	—	193
	Heritage underlying own funds generation	293	—	293
Corporate Centre	Interest and Head Office cost	(289)	—	(289)
With-profits ring-fenced funds underlying own funds generation		—	615	615
Total underlying own funds generation		**509**	**615**	**1,124**
Other operating own funds generation				
	Savings and Asset management	27	—	27
	Heritage	297	—	297
	Corporate centre	82	—	82
	With-profits ring-fenced funds	—	(1,501)	(1,501)
Total operating own funds generation		**915**	**(886)**	**29**
	Market movements	283	798	1,081
	Restructuring costs and other	(73)	(70)	(143)
	Tax	(159)	(175)	(334)
Total own funds generation		**966**	**(333)**	**633**
Own funds generation from discontinued operations		—	—	—
Total own funds generation including discontinued operations		**966**	**(333)**	**633**
Dividends and capital movements		(644)	—	(644)
Change in with-profits ring-fenced fund restrictions[2]		—	—	627
Total movement in own funds (assuming recalculated TMTP)[3]		**322**	**(333)**	**616**
Adjust for latest regulatory approved TMTP		92	33	125
Own funds as at 31 December 2020		**10,736**	**11,896**	**15,630**

[1] The with-profits lines represent the shareholders' interest in the Group's with-profits business. The impact of this business within the With-Profits Fund is shown separately.

[2] The contribution of the With-Profits Fund to Group own funds is limited to that required to cover the fund's capital requirements (see Section E.2). During 2020, the restriction fell by £627m, which reflects a £300m fall in the With-Profits Fund's own funds and a £326m increase in the fund's SCR.

The main own funds movements during 2020 were as follows:

Shareholder:

- Underlying own funds generation was £509m during 2020. This reflects £316m adjusted operating profit before tax from the Asset Management business, and £263m from with-profits business, driven by the expected growth in future shareholder transfers, net of hedging, and the impact of new business. There was a further contribution from shareholder annuity and other Heritage business of £193m, due to the expected growth of excess assets and the release of credit reserves. These positive impacts were partially offset by £(289)m of debt interest and Head-Office costs.
- Other operating items resulted in own funds generation of £406m. This includes the impact of longevity assumption changes of £234m, and £119m from management actions, which mainly related to asset trading and optimisation.
- Non-operating items increased own funds by £51m. This reflects positive market movements of £283m, offset by £(73)m of merger and transformation costs and £(159)m of tax.
- Dividends and capital movements contributed to a net reduction of £(644)m in own funds, and were primarily comprised of £562m dividends paid to shareholders over the period.

E Capital management (continued)

E.1 Own funds (continued)

With-Profits Fund:

- Underlying own funds generation of £615m comprised of £524m from the expected surplus from in-force business, primarily reflecting the expected return on the excess of assets over liabilities in the With-Profits Fund, and £91 million from new business written during the period, reflecting the future margins expected over the lifetime of that business.
- Other operating items of £(1,501)m include model changes in respect of options and guarantees, the distribution of excess surplus in the With-Profits Fund's inherited estate, updates to non-market assumptions and non-market experience.
- Market movements increased own funds by £798m, primarily reflecting the gain on surplus assets from the investment return in excess of expected return.
- Merger and transformation costs reduced surplus by £70m.
- There was a tax impact of £(175)m reflecting £(75)m from the increase in the long-term corporation tax assumption from 17% to 19% used to calculate tax on future shareholder transfers and £(100)m from the tax chargeable to the With-Profits Fund's inherited estate.

E.1.5 Reconciliation of IFRS shareholders' equity to Solvency II excess of assets over liabilities and eligible own funds

The 'excess of assets over liabilities' on the Solvency II balance sheet is not equivalent to own funds as a number of adjustments are made when determining own funds to restrict the valuation, or to de-recognise liabilities which meet appropriate requirements to be considered as solvency capital.

The reconciliation of the Group's IFRS shareholders' equity to the excess of assets over liabilities on the Solvency II balance sheet and to the Solvency II eligible own funds value of the Group is shown in Figure 47 below. The reconciling items are described in Sections D and E above.

Figure 47: Reconciliation of IFRS shareholder equity to Solvency II own funds

	As at 31 December	
	2020	2019
	£m	£m
IFRS shareholders' equity	**5,585**	5,131
Remove unallocated surplus of the With-Profits Fund from liabilities	**15,621**	16,072
Deduct goodwill and intangible assets	**(1,313)**	(1,266)
Net impact of valuing policyholder liabilities and reinsurance assets on Solvency II basis	**333**	315
Impact of introducing Solvency II Risk Margin (net of transitional measures)	**(1,434)**	(1,536)
Impact of measuring assets and liabilities in line with Solvency II principles	**(95)**	(61)
Recognise own shares[1]	**135**	26
Other	**(34)**	100
Solvency II excess of assets over liabilities	**18,798**	18,781
Subordinated debt capital	**3,969**	3,762
Ring-fenced fund restrictions	**(7,001)**	(7,628)
Deduct own shares	**(135)**	(26)
Solvency II eligible own funds	**15,631**	14,889

[1]Own shares are recognised on the Solvency II balance sheet at fair value of £135m (2019: £26m), which differs to cost measurement used for IFRS of £118m (2019: £26m).

E.1.6 Significant restrictions to the fungibility and transferability of own funds

Restriction to own funds arising from ring-fenced funds

The Group has considered the specific provisions of national law, insolvency law, contract law and product regulation of the insurance subsidiaries' jurisdiction of operations in determining the appropriate treatment of ring-fenced funds.

For ring-fenced funds, own funds are adjusted to reflect that the funds have a reduced capacity to fully absorb losses on a going-concern basis due to their lack of fungibility within the Group. The contribution to own funds from a ring-fenced fund is restricted such that the contribution to own funds from the ring-fenced fund is equal to the notional SCR for that ring-fenced fund. The impact of ring-fenced funds on the Group's solvency position is shown in Figure 47 above. The ring-fenced fund restriction excludes the expected present value of shareholder transfers expected to emerge from the With-Profits Fund, and therefore the value of these transfers contributes to the Group's own funds. A corresponding capital requirement is held reflecting the risk to the shareholder that these future transfers differ from expectations.

Restriction to own funds arising from own shares

The value of treasury shares held by the Group is recognised as an asset on the Solvency II balance sheet at fair value but deducted in determining own funds.

Restriction to own funds arising from defined benefit pension schemes

Any surplus in defined benefit pension schemes is not considered available to meet losses elsewhere in the Group. For each of the Group's defined benefit pension schemes, any excess of the own funds of the scheme over its contribution to the Group SCR is restricted. As at 31 December 2020, no restriction to own funds was required.

Other restrictions to own funds

In line with Solvency II requirements, the Group considers the extent to which own funds are transferable around the Group within nine months under stressed market conditions (to a 1-in-200 level), and assessed there were no further restrictions to Group own funds required as at 31 December 2020.

M&G plc's subordinated debt liabilities are treated as own funds reflecting that the liabilities are not required to be paid in certain circumstances. As such, these instruments are not subject to fungibility or transferability constraints for the purposes of Group Own Funds and Solvency.

E Capital management (continued)

E.1 Own funds (continued)

Foreseeable dividends

Dividends are deducted from own funds as soon as they are foreseeable. The Board have approved the policy that the dividend in respect of each financial year will comprise a first interim dividend, expected to be one-third of the previous financial year's total dividend, followed by a second interim dividend. Interim dividends are considered to be foreseeable at the point the Board declares the dividend. A second interim dividend for 2020 of 12.23 pence per ordinary share, estimated at £310m in total, was approved by the Board on 8 March 2021 to be paid on 28 April 2021. This dividend was not deemed foreseeable as at 31 December 2020 and therefore not deducted from own funds.

E.1.7 Other information on the Group Own Funds

All of the Group's equity capital, and the subordinated debt treated as capital as listed in Section E.1.3 above, are issued by the ultimate parent company, M&G plc.

The Group's own funds allow for elimination of inter-company transactions and balances within those undertakings forming the consolidated data. Transactions and balances (other than intra-group financing of own funds) with other financial sector undertakings are not consolidated or eliminated so as to allow the appropriate sectoral calculation to be determined.

In the context of the valuation of technical provisions, the Group's best estimate of technical provisions is the sum of the best estimates of technical provisions of individual insurance subsidiaries, adjusted for intra-group transactions relating to internal reinsurance arrangements.

E.2 Solvency Capital Requirement and Minimum Capital Requirement (Unaudited)

E.2.1 Overview

The SCR is the amount of capital the Solvency II regulations requires insurers to hold such that they can meet their obligations with a 99.5% confidence level over a one-year period. It is calculated by assessing the value-at-risk of the insurer's basic own funds in the event of a 1-in-200 year risk scenario occurring.

For the purpose of Solvency II regulatory reporting and disclosures and risk management, the Group has approval from the PRA to use an internal model for calculating the Group SCR, together with solo undertaking SCRs for PAC and PPL. From and including 31 December 2020, the solo undertaking SCR for PIA will be calculated using the standard formula, although its contribution to the Group SCR will be based on modelling PIA exposures using the Group's internal model.

In line with Solvency II requirements, capital requirements for regulated OFS entities and non-regulated OFS entities have been derived using sectoral rules and notional sectoral rules respectively. The Group SCR for all other undertakings is calculated based on the Group's assessment of the risks, treating those undertakings as if they were a single economic unit (i.e. consolidated data) and allows for diversification benefits between them.

The Consolidated Group SCR is determined as the sum of the Group SCR based on the consolidated data for insurance undertakings, insurance holding companies and ancillary services companies and the capital requirements for undertakings calculated using sectoral and notional sectoral rules. No diversification is allowed for between the Group SCR and the sectoral requirements from other financial sector undertakings.

E.2.2 Components of SCR

As at 31 December 2020, the consolidated Group SCR of £10,735m (2019: £10,419m) comprised of:

- £10,195m (2019: £9,925m) SCR calculated on the basis of consolidated data in respect of insurance undertakings, insurance holding companies and ancillary service companies; and
- £540m (2019: £494m) sectoral and notional sectoral requirements from OFS entities.

The same internal model is used to calculate the Group capital requirements and PAC solo capital requirements. The SCR of £10,195m, calculated on the basis of the consolidated data, reflects the capital requirements of the Group's main insurance subsidiary PAC (£10,002m) together with additional risk exposures from other non-sectoral subsidiaries. There is limited additional diversification at the Group level, relative to PAC, given the modest amount of risk exposures in these subsidiaries.

Information on the movement in the consolidated Group SCR is provided in Section E.2.3 below.

Figure 48 below shows the undiversified SCR by risk components, the benefit of diversification in relation to the Group, and the sectoral requirements for other financial sector undertakings. This is not comparable to the breakdown of the shareholder SCR presented within the Supplementary Information in the M&G plc 2020 Annual Report and Accounts, as the exposures relating to the With-Profits Fund are included within the regulatory SCR.

The risks and approach used to calculate the capital requirements may differ from those used by other companies and therefore may not be comparable.

E Capital management (continued)

E.2 Solvency Capital Requirement and Minimum Capital Requirement (continued)

Figure 48: Composition of capital requirements for the Group

Risk component	As at 31 December 2020 £m	2019 £m
Interest rate risk	**1,263**	1,479
Equity risk	**3,714**	3,123
Property risk	**1,413**	1,442
Credit risk[1]	**5,029**	5,566
Concentration risk	**—**	—
Currency risk	**2,010**	2,030
Diversification within market risks	**(4,822)**	(5,317)
Other counterparty risk	**439**	359
Mortality risk	**10**	25
Longevity risk	**4,042**	3,561
Disability-morbidity risk	**32**	30
Mass lapse	**138**	161
Other lapse risk	**1,490**	1,251
Expense risk	**1,406**	1,553
Life catastrophe	**21**	18
Diversification within life underwriting risks	**(3,608)**	(3,468)
Other non-life underwriting risk	**—**	—
Operational risk	**1,519**	1,457
Loss-absorbing capacity of deferred tax	**(997)**	(1,009)
Other adjustments	**—**	—
Total undiversified components	**13,098**	12,261
Diversification between market and underwriting risks	**(2,903)**	(2,336)
Total diversified SCR based on consolidated data	**10,195**	9,925
Sectoral SCR	**540**	494
Total consolidated Group SCR	**10,735**	10,419

[1] This risk category is labelled 'Spread risk' in QRT S.25.03 contained in the Appendix.

The table above illustrates that a significant proportion of the Group's capital requirements relate to market risk exposures, in particular credit and equity risks, whilst longevity risk is the most significant insurance risk.

The Group MCR is calculated as the sum of the MCRs of the European Economic Area ("EEA") authorised insurance and reinsurance undertakings included in the scope of Method 1.

The MCR is a formulaic calculation, which is subject to a cap and a floor that are both expressed relative to the SCR. As at 31 December 2020, the Group MCR was £2,568m, of which £2,500m relates to PAC, £22m to PPL and £45m to PIA.

The inputs used to calculate the MCR for each of PAC, PPL and PIA are detailed in Quantitative Reporting Templates S.28.02.01 (PAC) and S.28.01.01 (PPL and PIA), included within their respective solo SFCRs.

E.2.2.1 Loss-absorbing capacity of deferred tax

The SCR involves the calculation of the amount of capital required to ensure the company can withstand a 1 in 200 adverse event in the year following the valuation date. Such an event would inevitably lead to taxable losses, but these taxable losses could in part be mitigated by offset against profits as permitted by tax law or establishing deferred tax assets. Solvency II requirements permit the basic SCR to be adjusted for the loss-absorbing capacity of deferred tax ("LADT").

As at 31 December 2020, the Group SCR has been reduced by an adjustment for LADT of £997m (2019: £1,009m).

In calculating the adjustment for LADT, the recoverability of DTAs under the stress scenario has been demonstrated by offset against:

- Unutilised deferred tax liabilities (to the extent there are any);
- Carry-back relief against prior year profits from the PAC business;
- Unutilised taxable profits of the year of shock from the PAC business;
- Unutilised post-stress taxable future profits from the PAC business; and
- Expected profits from future premiums excluded under SII contract boundary rules.

The deferred tax asset balance on the Group's Solvency II balance sheet is offset against the above items within the calculation of the LADT.

E Capital management (continued)

E.2 Solvency Capital Requirement and Minimum Capital Requirement (continued)

E.2.3 Change in SCR for the year ended 31 December 2020 (Unaudited)

Figure 49 below and the accompanying commentary provide the reasons for the changes in the components which make up the Group's SCR during 2020. The movement in SCR has been analysed as follows:

Operating SCR movement is the total SCR movement before tax, adjusted to exclude market movements relative to those expected under long-term assumptions and to remove other non-operating items, including shareholder restructuring and other costs as defined under adjusted operating profit before tax. The operating SCR movement also excludes discontinued operations and is presented before the impact of dividends and capital movements. It has two components:

- Underlying SCR movement, which is primarily comprised of the underlying expected SCR movements from the in-force life insurance business and the change in SCR as a result of writing new life insurance business; and
- Other operating SCR movement, which include non-market related experience variances, assumption changes, modelling changes and other movements.

Given that the Group MCR is based on a proportion of the SCR for each insurance undertaking in the Group, the analysis also explains the main causes for the change in Group MCR during the period.

The analysis has been produced assuming the TMTP has been dynamically recalculated throughout the reconciliation, and is shown separately for the regulatory SCR, the ring-fenced With-Profits Fund's SCR and the residual shareholder business' SCR.

The table below presents the SCR as a negative item, consistent with the impact on Solvency II surplus. Therefore, a positive movement represents a reduction in the SCR and an increase in Solvency II surplus.

Figure 49: Analysis of change in the Group SCR

		For the year ended 31 December 2020		
		Shareholder view	With-Profits Fund view	Regulatory view
		£m	£m	£m
SCR as at 31 December 2019		**(5,851)**	**(4,568)**	**(10,419)**
Savings and Asset Management	Asset management	(8)	—	(8)
	With-profits[1]	(75)	—	(75)
	- of which: In-force	(51)	—	(51)
	- of which: New business	(24)	—	(24)
	Other	(5)	—	(5)
	Savings and Asset Management underlying SCR movement	(88)	—	(88)
Heritage	With-profits[1]	5	—	5
	Shareholder annuity and other	148	—	148
	Heritage underlying SCR movement	153	—	153
Corporate	Interest and Head Office cost	3	—	3
With-profits ring-fenced funds underlying SCR movement		—	231	231
Total underlying SCR movement		**68**	**231**	**299**
Other operating SCR movement				
	Savings and Asset Management	56	—	56
	Heritage	267	—	267
	Corporate centre	6	—	6
	With-profits ring-fenced funds	—	161	161
Total operating SCR movement		**397**	**392**	**789**
	Market movements	(401)	(749)	(1,150)
	Tax	33	31	64
Total SCR movements from continuing operations, before dividends and capital movements		**29**	**(326)**	**(297)**
Dividends and capital movements		(39)	—	(39)
Total movement in SCR (assuming recalculated TMTP)		**(10)**	**(326)**	**(336)**
Adjust for latest regulatory approved TMTP		20	—	20
SCR as at 31 December 2020		**(5,841)**	**(4,894)**	**(10,735)**

[1] The with-profits lines represent the shareholders' interest in the Group's with-profits business. The impact of this business within the With-Profits Fund is shown separately.

E Capital management (continued)

E.2 Solvency Capital Requirement and Minimum Capital Requirement (continued)

The main SCR movements during 2020 were as follows:

Shareholder:

- Underlying movements resulted in a net £68m decrease in the Group shareholder SCR during 2020. For Savings and Asset Management with-profits business, there was a £75m increase in the SCR representing the expected growth in asset values, net of the expiry of hedges. This movement also includes the impact of writing new business. For Heritage business, which is mostly closed to new customers, the reduction in SCR of £153m represents the expected movement as the business runs off and capital is released. The underlying SCR movements from non-insurance business are small in the context of the Group.
- Other operating items resulted in a £329m decrease in the SCR. The most significant driver was management actions of £289m, which included a £153m benefit from asset trading and optimisation, a £62m capital release to reflect the reduced risk of legacy remediation programmes now coming to completion, and £50m from extending the Group's equity hedge programme.
- Market movements increased the SCR by £401m, primarily due to falling interest rates increasing the capital requirement held in respect of shareholder annuity business.
- There was a a £33m decrease in the SCR due to changes in the LADT.
- Dividends and capital movements increased the Group's SCR by £39m which reflects the impact of the Ascentric acquisition.

With-Profits Fund:

- There was an underlying decrease in the SCR of £231m during the period, which primarily reflects a £342m release of capital requirements as the in-force business runs off, offset by £110m additional capital requirements in respect of new business written over the period.
- Other operating items resulted in a £161m decrease in the SCR, primarily as a result of model developments and management actions.
- Market movements over the period increased the SCR by £749m, primarily due to falls in interest rates and narrowing credit spreads.
- There was a £31m reduction in SCR driven by the increase in the long-term corporation tax assumption from 17% to 19%.

E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR (Unaudited)

The Group has not used the duration-based equity risk sub-module in the calculation of its SCR as it is a standard formula approach and not applicable to an internal model firm such as M&G plc.

E.4 Group Internal Model (Unaudited)

E.4.1 Overview

The Group's internal model, which is consistent with the rules and requirements of the Solvency II Directive, is a key risk management tool and refers to the collection of systems and processes used to identify, monitor and quantify risks for the purpose of calculating the Solvency II solvency capital requirement and economic capital requirements. This is a risk-based measure and, compared to the standard formula (as described below), has the advantage of better reflecting the specifics of the Group's business and risks.

The internal model calibrations are primarily based on historical data, with expert judgements applied where required.

The standard formula capital refers to the capital that is calculated in line with the standard formula rules provided by the Solvency II Directive. Even though the standard formula, as part of Solvency II, represents a risk-based measure, it is based on a set of prescribed parameters, calibrated for European insurers and therefore it does not fully reflect the characteristics of the Group and the specific structure and the risks to which the Group is exposed.

One of the tests for approval of the Internal Model relates to the ability of the Group to demonstrate on an ongoing basis that the Internal Model is widely used and plays an important role in the system of governance ('the use test'). Satisfying this test demonstrates to the PRA (and other supervisory authorities) that management have confidence in the Internal Model and are actively using its outputs. For the Group, the framework for use test compliance is part of the Internal Model governance framework (refer to Section B.3.3). It sets out areas of risk-based decision making or risk-related considerations where the Internal Model should be considered to demonstrate that it is widely embedded and is used within the business. These areas include reserving and regulatory capital; strategic and business planning; capital management; investment strategy; external relations; risk management; product management; and remuneration. Evidence of use in these areas by the Group throughout 2020 has been demonstrated as part of an annual attestation process, as required by the framework.

E.4.2 Internal model application

As part of the Demerger process, a Major Model Change application was made to the PRA to amend the existing Internal Model to apply at the level of the Group, rather than at the level of Prudential plc group. This focused on changes to the governance and risk management frameworks around the model at the point of demerger in October 2019. Approval was given to use a full Internal Model, in accordance with the Solvency II Directive, to calculate the consolidated M&G plc Group SCR and solo entity SCR for PAC, PPL and PIA. From 31 December 2020, the solo entity SCR for PIA will be calculated using the standard formula, although its contribution to the Group SCR will continue to be based on modelling PIA exposures using the Group's Internal Model.

As required in the Solvency II Directive, the SCR from the approved Internal Model is calculated as the value-at-risk of the basic own funds of an (re)insurance undertaking at a confidence level of 99.5% over a one-year period. The main risk categories allowed for in the internal model are shown in Section E.2.2. Within these categories, underlying "risk drivers" are specified as the result of an annual risk identification process. A model is defined and calibrated for each underlying risk driver and these are combined with an appropriate dependency structure and simulated to generate multiple thousands of combined risk scenarios. These risk scenarios are applied to all the assets and liabilities of the Group (for each entity within the scope of the internal model) to generate a wide range of possible outcomes. For simplicity, and to avoid circularity, the risk margin is held constant in all these risk scenarios. The resulting probability distribution is used to calculate the internal model SCR, by subtracting the 99.5th worst percentile outcome from the unstressed balance sheet.

E Capital management (continued)

E.4 Group Internal Model (continued)

The data used in the Internal Model is subject to the Internal Model Data Quality Framework to ensure the accuracy, completeness, appropriateness and timeliness of the data. The following types of data are used in the Internal Model:

- liability data;
- asset data;
- finance data;
- operational risk data;
- policyholder data;
- data used in setting assumptions, including demographic, economic and other; and
- other relevant data required by the internal model and technical provisions

E.4.3 Comparison of the Internal model and standard formula

Key differences between the calculation of the Internal Model SCR and the standard formula SCR include:

- The standard formula stresses and correlations are prescribed in the Solvency II Delegated Regulations, whilst the Internal Model risk scenarios reflect the Group's specific risk profile and are derived from a combination of data analysis and expert judgement, subject to the Internal Model tests and standards required by the Solvency II Directive (see further detail in Figure 50 below).
- Although the same broad risk categories are used to group risk drivers in the Internal Model, the internal model risk drivers within each category are typically much more granular than the broad risk categories considered under the standard formula. For example, the Internal Model risk drivers typically vary by country, as well as by other attributes of the risk, whereas many of the standard formula stresses do not vary by country.
- The Internal Model covers some risks that are not included in the standard formula (for example, equity implied volatility risk, interest rate implied volatility risk and government bond spread risk).
- The Internal Model SCR is derived by combining underlying risk drivers together into combined stress scenarios, and then ranking the outcomes of applying these stress scenarios to the Group's balance sheet to derive the 99.5^{th} worst percentile outcome. Conversely, the standard formula SCR is derived by calculating the impact on the balance sheet of each prescribed stress separately and then aggregating these outcomes using prescribed correlation matrices. The Internal Model approach allows for the impact on the balance sheet of combinations of risks occurring together, whereas the standard formula does not allow for interaction effects when risks occur simultaneously.
- The Internal Model allows for the matching adjustment ring-fenced portfolio to vary in each risk scenario, reflecting changes in the value of the corresponding liabilities. Therefore, diversification is allowed for between risks inside and risks outside the matching adjustment portfolio. Conversely, because the standard formula does not consider the impacts of combinations of risks occurring together, it requires that no diversification is recognised between risks inside the matching adjustment portfolio and risks outside the matching adjustment portfolio.

E Capital management (continued)

E.4 Group Internal Model (continued)

Figure 50: Overview of Standard Formula and Internal Model differences

Risk category	Standard formula	Internal model
Equity	Stresses vary between "Type 1" (listed EEA and OECD stocks) and "Type 2" (other countries, unlisted equities and alternative equity investments). A symmetric adjustment is applied to the level of stress to smooth out significant movements in markets close to the calculation date.	The model includes more granular stresses with calibrations set for each main equity benchmark index. At least one equity index is calibrated for each relevant global economy. Private equity, infrastructure equity and hedge funds are modelled using specific calibrations. Equity implied volatility is also modelled. No symmetric adjustment is applied.
Credit	For corporate bonds, loans and non-exempt sovereign bonds, credit risk is modelled by stressing credit spreads, with stresses varying by rating and duration bucket. European sovereign bonds are exempt from stress. Different stresses are applied for securitised assets and those with no credit rating. The matching adjustment is allowed for by a factor-based reduction of the spread stresses by rating.	Credit spreads, ratings migrations, defaults and fundamental spreads (for the UK matching adjustment portfolio) are all explicitly modelled. The spread stresses vary by credit rating, with calibrations differentiated by economy, product and duration bucket where appropriate. Internal credit assessments are used for bonds and loans without an agency rating and to uplift stresses for assets where structuring introduces additional risk. Spread stresses are applied to sovereign bonds, taking into account the credit risk of the issuing government. The matching adjustment is calculated dynamically based on the bond yields and fundamental spread being modelled in each risk scenario.
Yields	Interest rate stresses are defined as bi-directional stresses to the base risk-free curve which vary by term but not by country.	Stresses are calibrated for each relevant global economy, and stresses to the shapes of risk-free yield curves are modelled using an industry-standard 'principle component' methodology. Stressed curves are re-extrapolated beyond the last liquid point for each economy using the methodology specified by the PRA. Interest rate implied volatility and inflation risk are also modelled.
Property	There is a single property stress applied globally to the value of all assets classified as property.	Property stresses are differentiated by type of property, with separate calibrations for commercial and residential property. The model also separates the risks relating to contractually fixed rental income from that relating to capital growth where this is relevant for the matching adjustment.
Currency	A pair of up and down stresses is applied to the non-GBP net asset value in each business, and then aggregated. This approach also implicitly captures any asset-liability currency mismatch in each country.	A calibration is derived for each currency relative to GBP. Currency outcomes are simulated and used to translate all assets and liabilities into sterling in each risk scenario, thereby including the effect of currency "translation" as well as asset-liability currency mismatches within countries.
Concentration	The capital charge is based on the relative size of individual exposures as a proportion of the overall asset portfolio. Some non-EEA sovereigns are included, depending on their credit rating.	A similar approach is used as for the standard formula, with a more risk-based approach adopted for Asia sovereigns.
Counterparty default risk	Counterparty default risk is calculated taking into account the loss-given-default and probability of default, using fixed factors. Separate parameters and different aggregation approaches are applied for Type 1 exposures (e.g. derivatives, reinsurance, deposits) compared to Type 2 exposures (e.g. receivables from intermediaries).	A stochastic portfolio model (calibrated by credit rating) is used to capture counterparty risk, allowing for stochastic default and recovery rates. The model allows for counterparty exposures to increase under stressed conditions arising from other market and insurance risks.
Lapse	Policyholder lapse rates are stressed in both directions and a mass lapse stress is also assessed. The capital requirement is based on the largest of these three stresses. The stresses are fixed for all countries and products (except for "group policies" which have a higher capital charge).	The lapse calibration is more granular and includes stresses to lapse assumptions and mass lapses. The stresses vary by product type as appropriate.
Longevity	A downward stress to mortality rates is applied to all relevant business.	The longevity calibration is more granular and includes stresses to base mortality rates and longevity trend assumptions separately. Calibrations are differentiated by gender, different blocks of business as appropriate, and other risk factors.
Mortality and Life catastrophe	An increase in best estimate mortality rates and an instantaneous catastrophe risk stress are applied to all relevant business.	The mortality calibration allows for stresses to both best estimate mortality rates and catastrophe risks.
Morbidity	An increase in long-term morbidity rates is applied, including a reduction in morbidity recovery rates. The same stresses apply for all relevant business.	An increase to the best estimate morbidity rates for all future years.
Expense	Both the level of expenses and level of expense inflation are stressed under the standard formula. The same stresses apply to all business.	Expense level and expense inflation risks are modelled, with stresses calibrated by product type where appropriate.
Operational	Operational risk is calculated using a factor based approach applied to premiums, technical provisions and unit linked expenses.	Individual operational risks are assessed bottom-up, and modelled using a frequency-severity model. These are combined with correlation assumptions to produce aggregate probability distributions of potential operational losses.

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

The Group met its SCR and MCR at all times during 2020.

E.6 Any other information

There is no other material information regarding the Group's capital management other than that disclosed in the sections above.

Glossary

Term	Definition
Adjusted operating profit before tax	Adjusted operating profit before tax is one of the Group's key alternative performance measures. It is defined in Section A.2.
Annuity policy	Annuities are contracts which offer policyholders a regular income over the policyholder's life, in exchange for an upfront premium.
Assets under management and administration ("AUMA")	Assets under management and administration represents the total market value of all financial assets managed, administered or advised on behalf of customers and clients.
Board	The Board of Directors of the Company.
Bonuses	Bonuses refer to the non-guaranteed benefit added to participating life insurance policies and are the way in which policyholders receive their share of the profits of the policies. There are normally two types of bonus: Regular bonus: expected to be added every year during the term of the policy. It is not guaranteed that a regular bonus will be added each year, but once it is added, it cannot be reversed, also known as annual or reversionary bonus; and Final bonus: an additional bonus expected to be paid when policyholders take money from the policies. If investment return has been low over the lifetime of the policy, a final bonus may not be paid. Final bonuses may vary and are not guaranteed.
Brexit	The term used to refer to the UK's departure from the European Union.
Company/ parent company	M&G plc, a public limited company incorporated in England and Wales with registered number 11444019 whose registered office is 10 Fenchurch Avenue, London EC3M 5AG, UK.
Demerger	The demerger of the Group from the Prudential Group in October 2019.
Director	A Director of the Company
FCA	The Financial Conduct Authority ("FCA") is the body responsible for supervising the conduct of all financial services firms and for the prudential regulation of those financial services firms not supervised by the Prudential Regulation Authority ("PRA"), such as asset managers and independent financial advisers.
Group	The Company and its subsidiaries.
Group Executive Committee	The Group Executive Committee is composed of Board officers and senior-level executive management. It is the Group's most senior executive decision-making forum.
International Financial Reporting Standards ("IFRS")	International Financial Reporting Standards are accounting standards issued by the International Accounting Standards Board ("IASB"). The Group's consolidated financial statements are prepared in accordance with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Term	Definition
M&G Group Limited/M&G Investments	M&G Group Limited is a private limited company incorporated in England and Wales with registered number 00633480 whose registered office is 10 Fenchurch Avenue, London EC3M 5AG, United Kingdom. M&G Group Limited is the holding company of the Group's Asset Management business, M&G Investments.
Minimum Capital Requirements ("MCR")	The MCR is the minimum amount of capital that an insurer needs to hold to cover its risks under the Solvency II regulatory framework. If an insurer's capital falls below the MCR then authorisation will be withdrawn by the regulator unless the insurer is able to meet the MCR within a short period of time.
Merger and Transformation Programme	In August 2017, Prudential plc announced the merger of its UK and Europe business with the asset manager M&G to form the Group (the Merger). In conjunction with the Merger, and as part of the execution of its business strategy, the Group is implementing a transformation programme, with a number of initiatives and programmes. This is expected to be completed in 2022.
Non-profit business	Contracts where the policyholders are not entitled to a share of the company's profits and surplus, but are entitled to other contractual benefits. Examples include pure risk policies (such as fixed annuities) and unit-linked policies.
Operating capital generation	Operating capital generation is the total capital generation before tax, adjusted to exclude market movements relative to those expected under long-term assumptions and to remove other adjusting items, including shareholder restructuring costs.
Own funds	Own funds refers to the Solvency II measure of capital available to meet losses, and is based on the assets less liabilities of the Group, subject to certain restrictions and adjustments.
PRA	The Prudential Regulation Authority (PRA) is the body responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms.
Prudential Group	Prudential plc and its subsidiaries and subsidiary undertakings.
Prudential plc	Prudential plc is a public limited company incorporated in England and Wales with registered number 1397169 whose registered office is 1 Angel Court, London EC2R 7AG, United Kingdom.
PruFund	Our PruFund proposition provides our retail customers with access to smoothed savings contracts with a wide choice of investment profiles.

Glossary (continued)

Term	Definition
Rothesay Life	Rothesay Life PLC.
Scottish Amicable Insurance Fund ("SAIF")	SAIF is a ring-fenced sub-fund of the With-Profits Fund following the acquisition of the mutually owned Scottish Amicable Life Assurance Society in 1997. The fund is solely for the benefit of policyholders of SAIF. Shareholders of M&G plc have no entitlement to the profits of this fund although they are entitled to asset management fees on this business.
Shareholder Solvency II coverage ratio	Shareholder Solvency II coverage ratio is the ratio of own funds to SCR, excluding the contribution to own funds and SCR from the Group's ring-fenced With-Profits Fund.
Solvency Capital Requirement ("SCR")	SCR represents the 99.5th percentile (or 1-in-200) worst outcome over the coming year, out of 100,000 equally likely scenarios, allowing for the dependency between the risks the business is exposed to. The SCR is calculated using the Group's Solvency II internal model.
Solvency II	A regime for the prudential regulation of insurance companies that came into force on 1 January 2016.
Solvency II surplus	Solvency II surplus represents the own funds held by the Group less the Solvency Capital Requirement.
The Prudential Assurance Company ("PAC")	The Prudential Assurance Company Limited is a private limited company incorporated in England and Wales with registered number 00015454 whose registered office is 10 Fenchurch Avenue, London EC3M 5AG, United Kingdom.
Total capital generation	Total capital generation is the total change in Solvency II surplus capital before dividends and capital movements, and capital generated from discontinued operations.
Transitional measures	Transitional measures on technical provisions are an adjustment to Solvency II technical provisions, to smooth the impact of the change in the regulatory regime on 1 January 2016. This decreases linearly over 16 years following the implementation of Solvency II, but may be recalculated in certain cases, subject to agreement with the PRA.
Unallocated surplus of the With-Profits Fund	Unallocated surplus of the With-Profits Fund represents the excess of assets over policyholder liabilities that have yet to be appropriated between policyholders and shareholders.
Unit-linked policy	A policy where the benefits are determined by the investment performance of the underlying assets in the unit-linked fund.
With-profits business	Contracts where the policyholders have a contractual right to receive, at the discretion of the company, additional benefits based the profits of the fund, as a supplement to any guaranteed benefits.
With-Profits Fund	The Prudential Assurance Company Limited's fund where policyholders are entitled to a share of the profits of the fund. Normally, policyholders receive their share of the profits through bonuses. It is also known as a participating fund as policyholders have a participating interest in the With-Profit Funds and any declared bonuses.

Statement of directors' responsibilities

The Directors of M&G plc acknowledge their responsibility for preparing the Group SFCR in all material respects in accordance with the PRA rules and Solvency II Regulations.

The directors are satisfied that:

(a) throughout the financial year to 31 December 2020, the Group has complied in all material respects with the requirements of the PRA rules and the Solvency II Regulations as applicable at the level of the Group; and

(b) it is reasonable to believe that in respect of the period from 31 December 2020 to the date of the publication of the SFCR, the Group has continued to comply and therefore will continue to comply for the remainder of the financial year to 31 December 2021.

Signed on behalf of the Board of Directors

C Bousfield

Director

6 May 2021

Independent Auditor's Report

Report of the external independent auditor to the Directors of M&G plc ('the Company' or 'the Group') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the Relevant Elements of the Group Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by M&G plc as at 31 December 2020:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Group Solvency and Financial Condition Report of M&G plc as at 31 December 2020, ('the Narrative Disclosures subject to audit'); and
- Group templates S02.01.02, S22.01.22, S23.01.22, S32.01.22 ('the Templates subject to audit').

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the **'Relevant Elements of the Group Solvency and Financial Condition Report'**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- information contained within the Relevant Elements of the Group Solvency and Financial Condition Report set out about above which are, or derive from the Solvency Capital Requirement, as identified in the Appendix to this report
- The 'Business and performance', 'System of governance' and 'Risk profile' sections of the Group Solvency and Financial Condition Report;
- Group templates S05.01.02, S.25.03.22;
- Information calculated in accordance with the previous regime used in the calculation of the transitional measure on technical provisions, and as a consequence all information relating to the transitional measures on technical provisions as set out in the Appendix to this report;
- the written acknowledgement by the Directors of their responsibilities, including for the preparation of the Group Solvency and Financial Condition Report (**'the Responsibility Statement'**);
- Information which pertains to an undertaking that is not a Solvency II undertaking and has been prepared in accordance with PRA rules other than those implementing the Solvency II Directive or in accordance with an EU instrument other than the Solvency II regulations (**'the sectoral information'**).

To the extent the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report of M&G plc as at 31 December 2020 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Relevant Elements of the Group Solvency and Financial Condition Report section of our report. We are independent of M&G plc in accordance with the ethical requirements that are relevant to our audit of the Group Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - special purpose basis of accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' and other relevant disclosures sections of the Group Solvency and Financial Condition Report, which describe the basis of accounting. The Group Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Group Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Group Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Going concern

The Directors have prepared the Group Solvency and Financial Condition Report on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the Group Solvency and Financial Condition Report ("the going concern period").

We have used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- adverse impacts arising from fluctuations or negative trends in the economic environment including, but not limited to, wider credit spreads and defaults which affect regulatory capital solvency coverage ratios, liquidity ratios, the valuations of the Group's investments and valuation of insurance contract liabilities;
- adverse fund outflows, policyholder lapse or claims experience

We also considered less predictable but realistic second order impacts, such as the failure of counterparties who have transactions with the Group (such as banks and reinsurers), which could result in a rapid reduction of available financial resources.

Independent Auditor's Report (continued)

We considered whether these risks could plausibly affect the solvency and liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group's financial forecasts.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the Group Solvency and Financial Condition Report is appropriate; and
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company or the Group's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company or the Group will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of directors, the Audit Committee, internal audit, legal, risk and compliance and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- reading Board, Audit Committee and all other relevant committee meeting minutes;
- considering remuneration incentive schemes and performance targets for management and directors, including short term and long term incentive plans;
- using analytical procedures to identify any usual or unexpected relationships;
- using our own forensic specialists to assist us in identifying fraud risks based on discussions of the circumstances of the Group;
- inspecting correspondence with regulators to identify instances or suspected instances of fraud.
- reviewing the audit misstatements from prior period to identify fraud risk factors; and
- reading broker reports and other public information to identify third-party expectations and concerns.

We communicated identified fraud risks throughout the audit team and remained alert of any indications of fraud throughout the audit. This included communication from the Group to component audit teams of relevant fraud risks identified at the Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group.

As required by auditing standards, and taking into account possible pressures to meet profit targets, recent revisions to guidance and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of technical provisions and valuation of investments that require judgment.

On this audit we do not believe there is a fraud risk related to revenue recognition because there is limited management judgement involved in the valuation and recognition of all material revenue streams.

We also identified a fraud risk related to:

- the valuation of technical provisions in response to the required significant judgement over uncertain future outcomes, being the ultimate total settlement value of long-term policyholder liabilities; and
- the valuation of investments that require judgment in response to the high degree of estimation uncertainty due to the illiquid positions within the financial investments portfolio and lack of a readily available observable price.

We also performed procedures including:

- identified journal entries and other adjustments to test for all full scope components based on risk criteria and compared the identified entries to supporting documentation. These included those posted by unauthorised personnel and those posted with unusual description;
- evaluated the business purpose of any significant unusual transactions; and
- assessing significant accounting estimate for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Group Solvency and Financial Condition Report from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at Group.

Independent Auditor's Report (continued)

The potential effect of these laws and regulations on the Group Solvency and Financial Condition Report varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the Group Solvency and Financial Condition Report including financial reporting legislation (including related companies legislation), PRA Rules and Solvency II regulations, distributable profits legislation , pensions legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Group Solvency and Financial Condition Report , for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the areas of regulatory capital and liquidity, market abuse, financial crime and customer conduct regulations as those most likely to have such an effect recognising the financial and regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the Audit Committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit of the Solvency and Financial Condition Report.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Group Solvency and Financial Condition Report, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Group Solvency and Financial Condition Report , the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the Relevant Elements of the Group Solvency and Financial Condition Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Group Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Relevant Elements of the Group Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Relevant Elements of the Group Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Group Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Group Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Group Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Relevant Elements of the Group Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the Relevant Elements of the Group Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which it they based , as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Our objectives are to obtain reasonable assurance about whether the Relevant Elements of the Group Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Relevant Elements of the Group Solvency and Financial Condition Report.

A fuller description of our responsibilities is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities

Other Matter

The Company has authority to calculate its Group Solvency Capital Requirement using an internal model ("the Model") approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations. In forming our opinion (and in accordance with PRA Rules), we are not required to audit the inputs to, design of, operating effectiveness of and outputs from the Model, or whether the Model is being applied in accordance with the Company's application or approval order.

Independent Auditor's Report (continued)

Report on Other Legal and Regulatory Requirements

Sectoral Information

In our opinion, in accordance with Rule 4.2 of the External Audit Part of the PRA Rulebook for Solvency II firms, the sectoral information has been properly compiled in accordance with the PRA rules and EU instruments relating to that undertaking from information provided by members of the group and the relevant insurance group undertaking.

Other Information

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of M&G plc's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The purpose of our audit work and to whom we owe our responsibilities

This report of the external auditor is made solely to the Company's directors, as its governing body, in accordance with the requirement in Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for Solvency II firms and the terms of our engagement. We acknowledge that the directors are required to submit the report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the Company's directors and issued in accordance with the requirement set out in Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for Solvency II firms and to facilitate the discharge by the PRA of its regulatory functions in respect of the company, conferred on the PRA by or under the Financial Services and Markets Act 2000.

Our audit has been undertaken so that we might state to the Company's directors those matters we are required to state to them in an auditor's report issued pursuant to Rule 4.1 (2) and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company through its governing body, for our audit, for this report, or for the opinions we have formed.

Stuart Crisp

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

6 May 2021

Appendix - relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit

Group internal model

The relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of Group template S.02.01.02:
    - Row R0550: Technical provisions - non-life (excluding health) - risk margin
    - Row R0590: Technical provisions - health (similar to non-life) - risk margin
    - Row R0640: Technical provisions - health (similar to life) - risk margin
    - Row R0680: Technical provisions - life (excluding health and index-linked and unit-linked) - risk margin
    - Row R0720: Technical provisions - Index-linked and unit-linked - risk margin

- The following elements of Group template S.22.01.22
    - Column C0030 - Impact of transitional measures on technical provisions
    - Row R0010 - Technical provisions
    - Row R0090 - Solvency Capital Requirement

- The following elements of Group template S.23.01.22
    - Row R0020: Non-available called but not paid in ordinary share capital at group level
    - Row R0060: Non-available subordinated mutual member accounts at group level
    - Row R0080: Non-available surplus at group level
    - Row R0100: Non-available preference shares at group level
    - Row R0120: Non-available share premium account related to preference shares at group level
    - Row R0150: Non-available subordinated liabilities at group level
    - Row R0170: The amount equal to the value of net deferred tax assets not available at the group level
    - Row R0190: Non-available own funds related to other own funds items approved by supervisory authority
    - Row R0210: Non-available minority interests at group level
    - Row R0380: Non-available ancillary own funds at group level
    - Rows R0410 to R0440 - Own funds of other financial sectors
    - Row R0680: Group SCR
    - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
    - Row R0750: Other non-available own funds

- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’.

Quantitative Reporting Templates (QRTs)

S.02.01.02 Balance Sheet

		Solvency II value
		C0010
	Assets	£000s
R0030	Intangible assets	—
R0040	Deferred tax assets	80,171
R0050	Pension benefit surplus	57,801
R0060	Property, plant & equipment held for own use	388,691
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	151,584,862
R0080	Property (other than for own use)	11,161,606
R0090	Holdings in related undertakings, including participations	22,592,407
R0100	Equities	34,004,841
R0110	Equities - listed	33,988,621
R0120	Equities - unlisted	16,220
R0130	Bonds	64,203,718
R0140	Government Bonds	14,444,703
R0150	Corporate Bonds	46,034,256
R0160	Structured notes	—
R0170	Collateralised securities	3,724,759
R0180	Collective Investments Undertakings	12,621,676
R0190	Derivatives	5,556,528
R0200	Deposits other than cash equivalents	1,444,086
R0210	Other investments	—
R0220	Assets held for index-linked and unit-linked contracts	18,489,894
R0230	Loans and mortgages	18,830,669
R0240	Loans on policies	1,980
R0250	Loans and mortgages to individuals	1,707,653
R0260	Other loans and mortgages	17,121,036
R0270	Reinsurance recoverables from:	14,088,404
R0280	Non-life and health similar to non-life	132,318
R0290	Non-life excluding health	132,318
R0300	Health similar to non-life	—
R0310	Life and health similar to life, excluding index-linked and unit-linked	11,824,094
R0320	Health similar to life	(3,994)
R0330	Life excluding health and index-linked and unit-linked	11,828,088
R0340	Life index-linked and unit-linked	2,131,992
R0350	Deposits to cedants	—
R0360	Insurance and intermediaries receivables	20,681
R0370	Reinsurance receivables	25,332
R0380	Receivables (trade, not insurance)	952,859
R0390	Own shares (held directly)	134,967
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	—
R0410	Cash and cash equivalents	2,931,408
R0420	Any other assets, not elsewhere shown	—
R0500	**Total assets**	207,585,739

S.02.01.02 Balance Sheet

	Liabilities	Solvency II value C0010 £000s
R0510	Technical provisions - non-life	132,362
R0520	Technical provisions - non-life (excluding health)	132,362
R0530	TP calculated as a whole	—
R0540	Best Estimate	132,362
R0550	Risk margin	—
R0560	Technical provisions - health (similar to non-life)	—
R0570	TP calculated as a whole	—
R0580	Best Estimate	—
R0590	Risk margin	—
R0600	Technical provisions - life (excluding index-linked and unit-linked)	151,992,981
R0610	Technical provisions - health (similar to life)	(4,071)
R0620	TP calculated as a whole	—
R0630	Best Estimate	(4,311)
R0640	Risk margin	240
R0650	Technical provisions - life (excluding health and index-linked and unit-linked)	151,997,052
R0660	TP calculated as a whole	—
R0670	Best Estimate	150,615,314
R0680	Risk margin	1,381,738
R0690	Technical provisions - index-linked and unit-linked	20,567,162
R0700	TP calculated as a whole	—
R0710	Best Estimate	20,514,354
R0720	Risk margin	52,808
R0740	Contingent liabilities	—
R0750	Provisions other than technical provisions	115,985
R0760	Pension benefit obligations	106,179
R0770	Deposits from reinsurers	343,606
R0780	Deferred tax liabilities	881,777
R0790	Derivatives	3,093,372
R0800	Debts owed to credit institutions	3,423,583
R0810	Financial liabilities other than debts owed to credit institutions	448,660
R0820	Insurance & intermediaries payables	802,605
R0830	Reinsurance payables	92,332
R0840	Payables (trade, not insurance)	2,817,820
R0850	Subordinated liabilities	3,969,264
R0860	*Subordinated liabilities not in BOF*	—
R0870	*Subordinated liabilities in BOF*	3,969,264
R0880	Any other liabilities, not elsewhere shown	—
R0900	**Total liabilities**	188,787,688
R1000	**Excess of assets over liabilities**	18,798,051

S.05.01.02 Premiums, claims and expenses by line of business (Unaudited)

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	Total
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
	Premiums written																	
R0110	Gross - Direct Business	—	—	—	—	—	—	—	—	—	—	—	—					—
R0120	Gross - Proportional reinsurance accepted	—	—	—	—	—	—	—	—	—	—	—	—					—
R0130	Gross - Non-proportional reinsurance accepted													—	—	—	—	—
R0140	Reinsurers' share	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R0200	Net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Premiums earned																	
R0210	Gross - Direct Business	—	—	—	—	—	—	—	—	—	—	—	—					—
R0220	Gross - Proportional reinsurance accepted	—	—	—	—	—	—	—	—	—	—	—	—					—
R0230	Gross - Non-proportional reinsurance accepted													—	—	—	—	—
R0240	Reinsurers' share	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R0300	Net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Claims incurred																	
R0310	Gross - Direct Business	—	—	—	8,413	—	—	—	556	—	—	—	—					8,969
R0320	Gross - Proportional reinsurance accepted	—	—	—	—	—	—	—	—	—	—	—	—					—
R0330	Gross - Non-proportional reinsurance accepted													—	—	—	—	—
R0340	Reinsurers' share	—	—	—	8,413	—	—	—	556	—	—	—	—	—	—	—	—	8,969
R0400	Net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Changes in other technical provisions																	
R0410	Gross - Direct Business	—	—	—	—	—	—	—	—	—	—	—	—					—
R0420	Gross - Proportional reinsurance accepted	—	—	—	—	—	—	—	—	—	—	—	—					—
R0430	Gross - Non-proportional reinsurance accepted													—	—	—	—	—
R0440	Reinsurers' share	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R0500	Net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R0550	**Expenses incurred**	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R1200	**Other expenses**																	—
R1300	**Total expenses**																	—

S.05.01.02 Premiums, claims and expenses by line of business (Unaudited)

	Life	Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
	Premiums written									
R1410	Gross	14,876	5,310,599	1,645,596	261,147	—	—	—	24,798	7,257,016
R1420	Reinsurers' share	(1,696)	(306)	(23,799)	(902,478)	—	—	—	(748)	(929,027)
R1500	Net	13,180	5,310,293	1,621,797	(641,331)	—	—	—	24,050	6,327,989
	Premiums earned									
R1510	Gross	14,876	5,310,599	1,645,596	261,147	—	—	—	24,798	7,257,016
R1520	Reinsurers' share	(1,696)	(306)	(23,799)	(902,478)	—	—	—	(748)	(929,027)
R1600	Net	13,180	5,310,293	1,621,797	(641,331)	—	—	—	24,050	6,327,989
	Claims incurred									
R1610	Gross	(5,152)	(8,639,680)	(3,022,632)	(2,829,051)	—	—	—	(62,332)	(14,558,847)
R1620	Reinsurers' share	2,600	891	45,121	1,650,057	—	—	—	266	1,698,935
R1700	Net	(2,552)	(8,638,789)	(2,977,511)	(1,178,994)	—	—	—	(62,066)	(12,859,912)
	Changes in other technical provisions									
R1710	Gross	(31,702)	(23,913)	439,465	207,269	—	—	—	349	591,468
R1720	Reinsurers' share	31,017	752	(47,975)	(200,223)	—	—	—	(449)	(216,878)
R1800	Net	(685)	(23,161)	391,490	7,046	—	—	—	(100)	374,590
R1900	**Expenses incurred**	(2,003)	(695,872)	(151,613)	(168,233)	—	—	—	(30,003)	(1,047,724)
R2500	**Other expenses**									(77,832)
R2600	**Total expenses**									(1,125,556)

S.22.01.22 Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
		£000s	£000s	£000s	£000s	£000s
Technical provisions	R0010	172,692,506	2,784,983	—	—	2,848,939
Basic own funds	R0020	14,683,880	(1,243,792)	—	—	(1,570,585)
Eligible own funds to meet Solvency Capital Requirement	R0050	15,631,125	(1,243,792)	—	—	(1,570,585)
Solvency Capital Requirement	R0090	10,734,742	239,499	—	—	3,335,317

S.23.01.22 Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
		£000s	£000s	£000s	£000s	£000s
Basic own funds before deduction for participations in other financial sector						
Ordinary share capital (gross of own shares)	R0010	129,776	129,776		—	
Non-available called but not paid in ordinary share capital at group level	R0020	—	—		—	
Share premium account related to ordinary share capital	R0030	370,004	370,004		—	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	—	—		—	
Subordinated mutual member accounts	R0050	—		—	—	—
Non-available subordinated mutual member accounts at group level	R0060	—		—	—	—
Surplus funds	R0070	12,727,395	12,727,395			
Non-available surplus funds at group level	R0080	—	—			
Preference shares	R0090	—		—	—	—
Non-available preference shares at group level	R0100	—		—	—	—
Share premium account related to preference shares	R0110	—		—	—	—
Non-available share premium account related to preference shares at group level	R0120	—		—	—	—
Reconciliation reserve	R0130	(1,645,485)	(1,645,485)			
Subordinated liabilities	R0140	3,969,264		—	3,969,264	—
Non-available subordinated liabilities at group level	R0150	—		—	—	—
An amount equal to the value of net deferred tax assets	R0160	80,171				80,171
The amount equal to the value of net deferred tax assets not available at the group level	R0170	—				—
Other items approved by supervisory authority as basic own funds not specified above	R0180	—	—	—	—	—
Non available own funds related to other own funds items approved by supervisory authority	R0190	—	—	—	—	—
Minority interests (if not reported as part of a specific own fund item)	R0200	—	—	—	—	—
Non-available minority interests at group level	R0210	—	—	—	—	—
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	R0220	—				

S.23.01.22 Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
		£000s	£000s	£000s	£000s	£000s
Deductions						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230	947,245	947,245	—	—	—
whereof deducted according to art 228 of the Directive 2009/138/EC	R0240	—	—	—	—	
Deductions for participations where there is non-availability of information (Article 229)	R0250	—	—	—	—	—
Deduction for participations included by using D&A when a combination of methods is used	R0260	—	—	—	—	—
Total of non-available own fund items	R0270	—	—	—	—	—
Total deductions	R0280	947,245	947,245	—	—	—
Total basic own funds after deductions	R0290	14,683,880	10,634,445	—	3,969,264	80,171
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	—			—	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	—			—	
Unpaid and uncalled preference shares callable on demand	R0320	—			—	—
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	—			—	—
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	—			—	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	—			—	—
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	—			—	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	—			—	—
Non available ancillary own funds at group level	R0380	—			—	—
Other ancillary own funds	R0390	—			—	—
Total ancillary own funds	R0400	—			—	—
Own funds of other financial sectors						
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies – total	R0410	864,014	864,014	—	—	
Institutions for occupational retirement provision	R0420	—	—	—	—	—
Non regulated entities carrying out financial activities	R0430	83,231	83,231	—	—	
Total own funds of other financial sectors	R0440	947,245	947,245	—	—	—
Own funds when using the D&A, exclusively or in combination of method 1						
Own funds aggregated when using the D&A and combination of method	R0450	—	—	—	—	—
Own funds aggregated when using the D&A and combination of method net of IGT	R0460	—	—	—	—	—
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0520	14,683,880	10,634,445	—	3,969,264	80,171

S.23.01.22 Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
		£000s	£000s	£000s	£000s	£000s
Total available own funds to meet the minimum consolidated group SCR	R0530	14,603,709	10,634,445	—	3,969,264	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0560	14,683,880	10,634,445	—	3,969,264	80,171
Total eligible own funds to meet the minimum consolidated group SCR	R0570	11,148,036	10,634,445	—	513,591	
Minimum consolidated Group SCR	R0610	2,567,957				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	4.34				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	R0660	15,631,125	11,581,690	—	3,969,264	80,171
Group SCR	R0680	10,734,642				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	1.46				
Reconciliation reserve						
Excess of assets over liabilities	R0700	18,798,051				
Own shares (held directly and indirectly)	R0710	134,967				
Foreseeable dividends, distributions and charges	R0720	—				
Other basic own fund items	R0730	13,307,347				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	7,001,222				
Other non available own funds	R0750	—				
Reconciliation reserve	R0760	(1,645,485)				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	R0770	118,339				
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	—				
Total Expected profits included in future premiums (EPIFP)	R0790	118,339				

S.25.03.22 Solvency Capital Requirement - for groups on Full Internal Models (Unaudited)

Unique number of component	Component description	Calculation of the Solvency Capital Requirement
C0010	C0020	C0030
		£000s
103	Interest rate risk	1,263,216
104	Equity risk	3,713,749
106	Property risk	1,413,426
107	Spread risk	5,028,740
108	Concentration risk	—
109	Currency risk	2,010,295
110	Other market risk	—
199	Diversification within market risk	(4,822,320)
203	Other counterparty risk	438,669
299	Diversification within counterparty risk	—
301	Mortality risk	10,384
302	Longevity risk	4,042,242
303	Disability-morbidity risk	31,639
304	Mass lapse	138,340
305	Other lapse risk	1,489,714
306	Expense risk	1,405,634
308	Life catastrophe risk	20,638
309	Other life underwriting risk	—
399	Diversification within life underwriting risk	(3,607,894)
505	Other non-life underwriting risk	—
599	Diversification within non-life underwriting risk	—
701	Operational risk	1,518,906
801	Other risk	—
802	Loss-absorbing capacity of technical provisions	—
803	Loss-absorbing capacity of deferred tax	(997,476)
804	Other adjustments	—

S.25.03.22 Solvency Capital Requirement - for groups on Full Internal Models (Unaudited)

		C0100
		£000s
Total undiversified components	R0110	13,097,902
Diversification	R0060	(2,902,691)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	—
Solvency capital requirement excluding capital add-on	R0200	10,195,211
Capital add-ons already set	R0210	—
Solvency capital requirement	**R0220**	10,734,742
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	(24,765,119)
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	(997,476)
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	2,558,471
Total amount of Notional Solvency Capital Requirement for ring fenced funds	R0420	2,886,842
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	5,289,429
Diversification effects due to RFF nSCR aggregation for article 304	R0440	—
Minimum consolidated group solvency capital requirement	R0470	2,567,957
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	539,531
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	497,653
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520	—
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non- regulated entities carrying out financial activities	R0530	41,878
Capital requirement for non-controlled participation requirements	R0540	—
Capital requirement for residual undertakings	R0550	—

S.32.01.22 Undertakings in the scope of the group

								Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/ No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
PL	213800LX1ZMH6DNFQ324	LEI	Prudential Polska sp. z.o.o	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	zoo	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
LU	549300FLN5QWVQGRGQ35	LEI	M&G European Property Fund SICAV-FIS	Other	SICAV-FIS	Non-mutual		39.17%	39.17%	39.17%		Dominant	39.17%	No		Method 1: Adjusted equity method
AU	2138004GW3J6VILQSE49	LEI	PAP Trustee Pty Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Pty Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
LU	549300GTB435DIFOTP40	LEI	M&G Asia Property Fund	Other	SICAV-FIS	Non-mutual		45.02%	45.02%	45.02%		Dominant	45.02%	No		Method 1: Adjusted equity method
GB	549300Y26HER4GS3N207	LEI	Infracapital Partners II LP	Other	LP	Non-mutual		25.98%	25.98%	25.98%		Dominant	25.98%	No		Method 1: Adjusted equity method
LU	549300YUFF2S09Z74W50	LEI	M&G UK Residential Property Fund	Other	LP	Non-mutual		26%	26%	100%		Dominant	26%	No		Method 1: Adjusted equity method
GB	213800E2SWPCDVDKVT10	LEI	Scottish Amicable Finance Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
KY	254900TWUJUQ44TQJY84KY50226	Specific Code	Episode Inc	Other	LP	Non-mutual		93.61%	93.61%	93.61%		Dominant	93.61%	No		Method 1: Adjusted equity method
GB	213800NMT7KIZI54UZ47	LEI	Pacus (UK) Limited	Other	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
GB	213800IOOJ2UW73HST28	LEI	PVM Partnerships Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	5493007NCUF32CEV5206	LEI	Infracapital Partners LP	Other	LP	Non-mutual		33.04%	33.04%	33.04%		Dominant	33.04%	No		Method 1: Adjusted equity method
GB	254900TWUJUQ44TQJY84GB50223	Specific Code	Debt Investments Opportunities IV	Other	DAC	Non-mutual		25.39%	25.39%	25.39%		Dominant	25.39%	No		Method 1: Adjusted equity method
GB	549300DN2BTJ8BY6XW35	LEI	Prudential Greenfield LP	Other	LP	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method

								Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/ No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	549300QCZ08 083QNMD56	LEI	M&G UK Companies Financing Fund II LP	Other	LP	Non-mutual		48.32%	48.32%	48.32%		Dominant	48.32%	No		Method 1: Adjusted equity method
GB	549300VKEYC B6Q0MC874	LEI	Prudential/ M&G UK Companies Financing Fund LP	Other	LP	Non-mutual		32.43%	32.43%	32.43%		Dominant	32.43%	No		Method 1: Adjusted equity method
IE	549300G2MF Q6ONSJ0W66	LEI	Folios III Designated Activity Company	Other	DAC	Non-mutual		49.42%	49.42%	49.42%		Dominant	49.42%	No		Method 1: Adjusted equity method
GB	549300MW6P SOJLF67Z41	LEI	M&G PFI partnership 2018 LP	Other	LP	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
IE	549300ZHKEZ LWLH2E469	LEI	Folios IV Designated Activity Company	Other	DAC	Non-mutual		76.5%	76.5%	76.5%		Dominant	76.5%	No		Method 1: Adjusted equity method
US	254900TWUJ UQ44TQJY84 US20151	Specific Code	HCR Canary Fund	Other	LP	Non-mutual		100%	100%	99%		Dominant	100%	No		Method 1: Adjusted equity method
GB	254900TWUJ UQ44TQJY84 GB50216	Specific Code	M&G UK Shared Ownership LP	Other	LP	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
US	254900TWUJ UQ44TQJY84 US20149	Specific Code	WFH Investments LLC	Other	LLC	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
GB	549300I8LYO K91HBX439	LEI	Prudential Distribution Limited	Other	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
GB	5493001GSK4 HF84IOB02	LEI	Prudential Lifetime Mortgages Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
IE	635400Y2PVA BVU9VWJ83	LEI	Prudential International Management Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	2138006YAP8 436IV7P84	LEI	Prudential UK Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation

								Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	549300CWGK 2ZW5YDGJ27	LEI	Prudential Pensions Limited	Life insurance undertaking	Ltd	Non-mutual	Prudential Regulation Authority	100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
LU	222100N879G X063S5I68	LEI	M&G UK Property Fund	Other	UT	Non-mutual		98%	98%	100%		Dominant	98%	No		Method 1: Adjusted equity method
IN	5493006RTXZ TNY4TOY32	LEI	10FA India Private Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	2138009YMR1 CEO641146	LEI	Prudential Holborn Life Limited	Mixed financial holding company as defined in Article 212 (1)(h) of Directive 2009/138/EC	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	213800CIQKF H6G68V891	LEI	Prudential Financial Planning Limited	Other	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
GB	213800IIA1AW 1VRTPK64	LEI	Prudential Portfolio Management Group Limited	Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	549300E6K3IF R1YO2242	LEI	PGDS (UK One) Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100	100	100		Dominant	1	No		Method 1: Full consolidation
GB	213800DMFH M9TUERL898	LEI	Prudential Real Estate Investments 3 Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	21380036PITS KICBM891	LEI	Prudential Real Estate Investments 2 Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
GB	2138008TOJ3 P2FHS5Y69	LEI	Prudential Equity Release Mortgages Limited	Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	2138008ZHAM 1AWMXDI41	LEI	Prudential Real Estate Investments 1 Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	Criteria of influence: % capital share	Criteria of influence: % used for the establishment of consolidated accounts	Criteria of influence: % voting rights	Criteria of influence: Other criteria	Criteria of influence: Level of influence	Criteria of influence: Proportional share used for group solvency calculation	Inclusion in the scope of Group supervision: Yes/ No	Inclusion in the scope of Group supervision: Date of decision if art. 214 is applied	Group solvency calculation: Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	254900TWUJ UQ44TQJY84 GB50185	Specific Code	M&G Corporate Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GG	254900TWUJ UQ44TQJY84 GG50206	Specific Code	M&G Prudential Guernsey PCC Limited	Non life insurance undertaking	Ltd	Non-mutual	Guernsey Financial Services Commission	100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB40021	Specific Code	M&G Group Regulated Entity Holding Company Limited	Mixed-activity insurance holding company as defined in Article 212(1) (g) of Directive 2009/138/EC	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84	LEI	M&G plc	Mixed-activity insurance holding company as defined in Article 212(1) (g) of Directive 2009/138/EC	Plc	Non-mutual								No		Method 1: Full consolidation
US	254900TWUJ UQ44TQJY84 US30033	Specific Code	PPM America Private Equity Fund III LP	Other	LP	Non-mutual		49.75%	49.75%	49.75%		Significant	49.75%	No		Method 1: Adjusted equity method
US	254900TWUJ UQ44TQJY84 US30034	Specific Code	PPM America Private Equity Fund IV LP	Other	LP	Non-mutual		49.88%	49.88%	49.88%		Significant	49.88%	No		Method 1: Adjusted equity method
US	254900TWUJ UQ44TQJY84 US30036	Specific Code	PPM America Private Equity Fund V LP	Other	LP	Non-mutual		49.88%	49.88%	49.88%		Significant	49.88%	No		Method 1: Adjusted equity method
US	254900TWUJ UQ44TQJY84 US30060	Specific Code	PPM America Private Equity Fund VI LP	Other	LP	Non-mutual		39.91%	39.91%	39.91%		Significant	39.91%	No		Method 1: Adjusted equity method
US	254900TWUJ UQ44TQJY84 US30079	Specific Code	PPM America Private Equity Fund VII LP	Other	LP	Non-mutual		46.29%	46.29%	46.29%		Significant	46.29%	No		Method 1: Adjusted equity method
GB	254900TWUJ UQ44TQJY84 GB20113	Specific Code	Scottish Amicable Life Assurance Society	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ultd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB20115	Specific Code	Prudential Corporate Pensions Trustee Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation

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Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/ No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	5493002E3OJ N8FC3QR83	LEI	St Edward Homes Partnership	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		49.95%	49.95%	50%		Significant	49.95%	No		Method 1: Proportional consolidation
JE	254900TWUJ UQ44TQJY84J E20074	Specific Code	The Strand Property Unit Trust	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	UT	Non-mutual		50%	50%	50%		Significant	50%	No		Method 1: Proportional consolidation
GB	549300ZWW MEMEK21F447	LEI	Property Partners (Two Rivers) limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		50%	50%	50%		Significant	50%	No		Method 1: Proportional consolidation
GB	254900TWUJ UQ44TQJY84 GB20079	Specific Code	Two Rivers LP	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP	Non-mutual		50%	50%	50%		Significant	50%	No		Method 1: Proportional consolidation
GB	254900TWUJ UQ44TQJY84 GB10015	Specific Code	Fort Kinnaird Limited Partnership	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP	Non-mutual		50%	50%	50%		Significant	50%	No		Method 1: Proportional consolidation
GB	254900TWUJ UQ44TQJY84 GB20134	Specific Code	Fort Kinnaird GP Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		50%	50%	50%		Significant	50%	No		Method 1: Proportional consolidation
GB	549300KNNB BCZ5TI4093	LEI	Foudry Properties Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		50%	50%	50%		Significant	50%	No		Method 1: Proportional consolidation
GB	549300610NI QNPYNUW41	LEI	Centaurus Retail LLP	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LLP	Non-mutual		50%	50%	50%		Significant	50%	No		Method 1: Proportional consolidation
GB	549300H8DZ7 KN3YLSM53	LEI	St Edward Strand Partnership	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP	Non-mutual		50%	50%	50%		Significant	50%	No		Method 1: Proportional consolidation
JE	5493009POE3 14RMQZ898	LEI	The Two Rivers Trust	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Trust	Non-mutual		50%	50%	50%		Significant	50%	No		Method 1: Proportional consolidation
GB	254900TWUJ UQ44TQJY84 GB20070	Specific Code	St Edward Homes Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		50%	50%	50%		Significant	50%	No		Method 1: Proportional consolidation

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	Criteria of influence: % capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Inclusion in the scope of Group supervision: Yes/ No	Date of decision if art. 214 is applied	Group solvency calculation: Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
LU	222100Z2QC2 TIK1L4G32	LEI	Prudential Investment (Luxembourg) 2 S.à.r.l.	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Sarl	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
IT	81560033DE8 557604E62	LEI	MCF S.r.l.	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Srl	Non-mutual		45%	100%	45%		Dominant	100%	No		Method 1: Full consolidation
GB	54930078050 7A2BMZB54	LEI	M&G Real Estate UK Enhanced Value LP	Other	LP	Non-mutual		49.85%	100%	27.86%		Dominant	100%	No		Method 1: Adjusted equity method
GB	549300LJW34 WAXTEOA73	LEI	M&G RE UKEV 1-A LP	Other	LP	Non-mutual		49.85%	100%	27.86%		Dominant	100%	No		Method 1: Adjusted equity method
GB	549300WMS3 GJ41QCBH92	LEI	Infracapital Greenfield Partners I LP	Other	LP	Non-mutual		21.97%	21.97%	21.97%		Dominant	21.97%	No		Method 1: Adjusted equity method
GB	254900TWUJ UQ44TQJY84 GB50126	Specific Code	Infracapital (TLSB) SLP LP	Other	LP	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
KY	254900TWUJ UQ44TQJY84K Y20131	Specific Code	ANRP II (AIV VI FC), L.P.	Other	LP	Non-mutual		42.69%	42.69%	42.69%		Significant	42.69%	No		Method 1: Adjusted equity method
US	254900TWUJ UQ44TQJY84 US30047	Specific Code	Centre Capital Non-Qualified Investors IV AIV-ELS, L.P.	Other	LP	Non-mutual		88.05%	88.05%	88.05%		Significant	88.05%	No		Method 1: Adjusted equity method
US	254900TWUJ UQ44TQJY84 US30068	Specific Code	Wynnefield Private Equity Partners II, L.P.	Other	LP	Non-mutual		99%	99%	99%		Dominant	99%	No		Method 1: Adjusted equity method
US	254900TWUJ UQ44TQJY84 US30046	Specific Code	Centre Capital Non-Qualified Investors IV AIV Orion, L.P.	Other	LP	Non-mutual		66.76%	66.76%	66.76%		Significant	66.76%	No		Method 1: Adjusted equity method
US	254900TWUJ UQ44TQJY84 US30049	Specific Code	Centre Capital Non-Qualified Investors IV, L.P.	Other	LP	Non-mutual		63.18%	63.18%	63.18%		Significant	63.18%	No		Method 1: Adjusted equity method
US	254900TWUJ UQ44TQJY84 US30050	Specific Code	Centre Capital Non-Qualified Investors V AIV-ELS LP	Other	LP	Non-mutual		57.68%	57.68%	57.68%		Significant	57.68%	No		Method 1: Adjusted equity method

								Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
US	254900TWUJUQ44TQJY84US30051	Specific Code	Centre Capital Non-Qualified Investors V LP	Other	LP	Non-mutual		61.1%	61.1%	61.03%		Significant	61.1%	No		Method 1: Adjusted equity method
JE	254900TWUJUQ44TQJY84JE20081	Specific Code	Carraway Guildford (Nominee A) Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
JE	254900TWUJUQ44TQJY84JE20082	Specific Code	Carraway Guildford (Nominee B) Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20086	Specific Code	Cribbs Mall Nominee (1) Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20087	Specific Code	Manchester Nominee (1) Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
LU	529900ABWG3G3W1BIX36	LEI	Two Snowhill Birmingham S.a.r.l.	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Sarl	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20091	Specific Code	Wessex Gate Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20107	Specific Code	Cardinal Distribution Park Management Limited	Other	Ltd	Non-mutual		66%	66%	66%		Dominant	66%	No		Method 1: Adjusted equity method
GB	254900TWUJUQ44TQJY84GB20108	Specific Code	Sectordate Limited	Other	Ltd	Non-mutual		32.6%	32.6%	32.6%		Dominant	32.6%	No		Method 1: Adjusted equity method
GB	254900TWUJUQ44TQJY84GB20122	Specific Code	Minster Court Estate Management Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		56%	100%	56%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20103	Specific Code	Optimus Point Management Company Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		52.37%	100%	52.37%		Dominant	100%	No		Method 1: Full consolidation

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Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/ No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	254900TWUJUQ44TQJY84GB50172	Specific Code	M&G Real Estate UKEV (GP) LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50174	Specific Code	M&G UKEV (SLP) LP	Credit institution, investment firm and financial institution	LP	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50175	Specific Code	M&G UKEV (SLP) General Partner LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	2138006UA6CYBYSPN279	LEI	Carraway Guildford General Partner Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB50176	Specific Code	Selly Oak Shopping Park (General Partner) Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20135	Specific Code	EF IV Schoolhill GP Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
LU	254900TWUJUQ44TQJY84LU20136	Specific Code	Schoolhill Sarl	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Sarl	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20137	Specific Code	The Project Hoxton LP	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20138	Specific Code	Vanquish Properties LP Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20139	Specific Code	Vanquish Properties GP Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20140	Specific Code	Vanquish Properties GP Nominee A Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation

								Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/ No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	254900TWUJUQ44TQJY84GB20141	Specific Code	Vanquish Properties GP Nominee 1 Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20142	Specific Code	Vanquish Properties GP Nominee 2 Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20143	Specific Code	Vanquish Properties GP Nominee 3 Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	549300ZB0ISLCZDBQ738	LEI	Carraway Guildford Limited Partnership	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP	Non-mutual		100%	100%	49.5%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20144	Specific Code	Vanquish Properties GP Nominee 4 Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20145	Specific Code	Vanquish Properties (UK) Limited Partnership	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
JE	254900TWUJUQ44TQJY84JE20146	Specific Code	Leadenhall Unit Trust	Other	UT	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
JE	254900TWUJUQ44TQJY84JE20147	Specific Code	Vanquish I Unit Trust	Other	UT	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
JE	254900TWUJUQ44TQJY84JE20148	Specific Code	Vanquish II Unit Trust	Other	UT	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
JE	549300E91FI43HXEDI41	LEI	Carraway Guildford Investments Unit Trust	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	UT	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	213800OCGUPJ7PBNHX53	LEI	Edger Investments Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation

								Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
LU	254900TWUJUQ44TQJY84LU20080	Specific Code	Three Snowhill Birmingham S.a.r.l.	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Sarl	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
US	549300BEJIZZ54MFFQ02	LEI	Smithfield Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20096	Specific Code	BWAT Retail Nominee (1) Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		50%	50%	50%		Significant	50%	No		Method 1: Proportional consolidation
GB	254900TWUJUQ44TQJY84GB20097	Specific Code	BWAT Retail Nominee (2) Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		50%	50%	50%		Significant	50%	No		Method 1: Proportional consolidation
GB	254900TWUJUQ44TQJY84GB20098	Specific Code	Cribbs Causeway JV Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		50%	50%	50%		Significant	50%	No		Method 1: Proportional consolidation
GB	254900TWUJUQ44TQJY84GB20099	Specific Code	Cribbs Causeway Merchants Association Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		20%	100%	25%		Significant	100%	No		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20101	Specific Code	Manchester JV Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		50%	50%	50%		Significant	50%	No		Method 1: Proportional consolidation
GB	254900TWUJUQ44TQJY84GB20102	Specific Code	Oaktree Business Park Limited	Other	Ltd	Non-mutual		14.29%	14.29%	100%		Dominant	14.29%	No		Method 1: Adjusted equity method
US	254900TWUJUQ44TQJY84US20106	Specific Code	SMLLC	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LLC	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
JE	254900TWUJUQ44TQJY84JE10016	Specific Code	CJPT Real Estate Inc.	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Inc	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
JE	254900TWUJUQ44TQJY84JE10017	Specific Code	CJPT Real Estate No. 1 Trust	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Trust	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation

								Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/ No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
JE	254900TWUJ UQ44TQJY84J E10018	Specific Code	CJPT Real Estate No. 2 Trust	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Trust	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
US	549300YWLH YEHTWMO231	LEI	NAPI REIT, Inc	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Inc	Non-mutual		99%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	54930075E6IA 5W0H5S09	LEI	Westwacker Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
US	254900TWUJ UQ44TQJY84 US20091	Specific Code	Fashion Square ECO LP (In liquidation)	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP	Non-mutual		50%	100%	50%		Dominant	100%	No		Method 1: Full consolidation
US	254900TWUJ UQ44TQJY84 US20092	Specific Code	Old Kingsway LP	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
US	254900TWUJ UQ44TQJY84 US20093	Specific Code	Randolph Street LP	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB20116	Specific Code	Prudential UK Real Estate Limited Partnership	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB20117	Specific Code	Prudential UK Real Estate General Partner Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB20119	Specific Code	Prudential UK Real Estate Nominee 1 Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB20120	Specific Code	Prudential UK Real Estate Nominee 2 Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB20133	Specific Code	Selly Oak Shopping Park Limited Partnership	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP	Non-mutual		63.1%	100%	50%		Dominant	100%	No		Method 1: Full consolidation

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
								% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/ No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	213800M6IQ5 3UGCHF876	LEI	Prutec Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB20110	Specific Code	PPMC First Nominees Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GG	254900TWUJ UQ44TQJY84 GG20132	Specific Code	Silverfleet Capital II WPLF LP	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP	Non-mutual		100%	100%	100%		Significant	100%	No		Method 1: Full consolidation
GG	254900TWUJ UQ44TQJY84 GG20059	Specific Code	SilverFleet Capital 2004 LP	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP	Non-mutual		100%	100%	100%		Significant	100%	No		Method 1: Full consolidation
GG	254900TWUJ UQ44TQJY84 GG20060	Specific Code	SilverFleet Capital 2005 LP	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP	Non-mutual		100%	100%	100%		Significant	100%	No		Method 1: Full consolidation
GG	254900TWUJ UQ44TQJY84 GG20061	Specific Code	SilverFleet Capital 2006 LP	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP	Non-mutual		100%	100%	100%		Significant	100%	No		Method 1: Full consolidation
GG	254900TWUJ UQ44TQJY84 GG20064	Specific Code	SilverFleet Capital 2009 LP	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP	Non-mutual		100%	100%	100%		Significant	100%	No		Method 1: Full consolidation
GG	254900TWUJ UQ44TQJY84 GG20066	Specific Code	Silverfleet Capital 2011/12 LP	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP	Non-mutual		100%	100%	100%		Significant	100%	No		Method 1: Full consolidation
LU	254900X2R2M 2HU17U040	LEI	Prudential Credit Opportunities SCSp	Other	SCSp	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
LU	254900TWUJ UQ44TQJY84L U20068	Specific Code	Prudential Credit Opportunities 1 S.a.r.l.	Other	Sarl	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
LU	222100OZLFO O9GBVZU58	LEI	Prudential Credit Opportunities 2 S.a.r.l	Other	Sarl	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method

								Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/ No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
KY	254900TWUJUQ44TQJY84KY20150	Specific Code	SKY FUND I LP	Other	LP	Non-mutual		98.68%	98.68%	98.68%		Significant	98.68%	No		Method 1: Adjusted equity method
KY	254900TWUJUQ44TQJY84KY20152	Specific Code	SKY I Intermediate LP	Other	LP	Non-mutual		71%	71%	50%		Significant	71%	No		Method 1: Adjusted equity method
LU	222100DYHNYVU5OHZ592	LEI	Prudential Loan Investments 1 S.a.r.l	Other	Sarl	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
GB	213800J7WLPUU61CJY65	LEI	Harben Finance 2017-1 PLC	Other	PLC	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
LU	222100I72T0C6YY58X29	LEI	Prudential Loan Investments SCSp	Other	SCSp	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
LU	2549005TYIYKUB5L3L85	LEI	M&G Alternatives, SCSp – RAIF – 2020 PE Co-Investment Fund	Other	SCSp	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
LU	2549006X8MTR4091IG44	LEI	M&G Alternatives, SCSp – RAIF – 2020 Asian PE Fund	Other	SCSp	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
LU	254900JLAF6NN4RXSZ93	LEI	M&G Alternatives, SCSp – RAIF – 2020 European PE Fund	Other	SCSp	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
GB	21380029W1QO8XLI7X06	LEI	Prudential Financial Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20009	Specific Code	Prudential Group Pensions Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20010	Specific Code	ScotAm Pension Trustees Limited	Other	Ltd	Non-mutual		100%	100%	100%		Significant	100%	No		Method 1: Adjusted equity method
GB	254900TWUJUQ44TQJY84GB20126	Specific Code	Prudential Mortgages Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20127	Specific Code	Prudential Protect Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation

								Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	254900TWUJUQ44TQJY84GB20128	Specific Code	Scottish Amicable Holdings Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20129	Specific Code	Scottish Amicable Pensions Investments Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	213800OC9AO58CFCB338	LEI	M&G Group Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800UYEBFL3JUBR159	LEI	Holborn Bars Nominees Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
JP	254900TWUJUQ44TQJY84JP50109	Specific Code	M&G Investments Japan Co., Ltd.	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
ES	254900TWUJUQ44TQJY84ES50116	Specific Code	M&G RE Espana, 2016, S.L.	Credit institution, investment firm and financial institution	S.L.	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50016	Specific Code	Infracapital (Bio) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50117	Specific Code	Genny GP 2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50118	Specific Code	Genny GP 1 LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50119	Specific Code	Infracapital (IT PPP) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
IE	254900TWUJUQ44TQJY84IE50121	Specific Code	PGF Management Company (Ireland) Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	50%	50%	50.01%		Significant	50%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50122	Specific Code	Infracapital (AIRI) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50123	Specific Code	Infracapital (Sense) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules

								Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/ No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	254900TWUJUQ44TQJY84GB50133	Specific Code	IGP Realisations I GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800KK1VVI7BVEUZ22	LEI	PPM Managers Partnership CI VII (A) LP	Credit institution, investment firm and financial institution	LP	Non-mutual	Financial Conduct Authority	25%	25%	25%		Significant	25%	No		Method 1: Sectoral rules
GB	2138007GGNZ7CY3HQ568	LEI	M&G RED II SLP LP	Credit institution, investment firm and financial institution	LP	Non-mutual	Financial Conduct Authority	28%	28%	28%		Significant	28%	No		Method 1: Sectoral rules
GB	213800ORMGBX88UTID14	LEI	Infracapital (GC) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	2138006NEQ1QFBN5P262	LEI	M&G RED III SLP LP	Credit institution, investment firm and financial institution	LP	Non-mutual	Financial Conduct Authority	25%	25%	25%		Significant	25%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50138	Specific Code	M&G PFI Carry Partnership 2016 LP	Credit institution, investment firm and financial institution	LP	Non-mutual	Financial Conduct Authority	25%	25%	25%		Significant	25%	No		Method 1: Sectoral rules
GB	213800DJO6UH75ALMK76	LEI	Infracapital SLP II LP	Credit institution, investment firm and financial institution	LP	Non-mutual	Financial Conduct Authority	40.4%	40.4%	40.4%		Dominant	40.4%	No		Method 1: Sectoral rules
LU	254900TWUJUQ44TQJY84LU50141	Specific Code	M&G International Investments S.A.	Credit institution, investment firm and financial institution	SA	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50142	Specific Code	Infracapital Greenfield Partners 1 SLP GP1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50143	Specific Code	Digital Infrastructure Investment Partners GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	65%	65%	65%		Dominant	65%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50144	Specific Code	Digital Infrastructure Investment Partners GP1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50145	Specific Code	Digital Infrastructure Investment Partners SLP GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50146	Specific Code	Digital Infrastructure Investment Partners SLP GP1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	Criteria of influence: % capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Inclusion in the scope of Group supervision: Yes/ No	Date of decision if art. 214 is applied	Group solvency calculation: Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	213800I6MY8I5RZE3H33	LEI	Infracapital (TLSB) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50147	Specific Code	Digital Infrastructure Investment Partners SLP GP2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50148	Specific Code	Green GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50149	Specific Code	Infracapital Greenfield Partners I SLP EF GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50150	Specific Code	Infracapital Greenfield Partners 1 SLP GP2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
LU	254900TWUJUQ44TQJY84LU50152	Specific Code	Infracapital Partners III GP S.à r.l	Credit institution, investment firm and financial institution	Sarl	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
LU	213800KHFEP1L58PDC25	LEI	M&G Luxembourg S.A.	Credit institution, investment firm and financial institution	SA	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50155	Specific Code	Embankment GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50156	Specific Code	Embankment Nominee 1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50157	Specific Code	Embankment Nominee 2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50163	Specific Code	George Digital GP 1 LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50167	Specific Code	Infracapital Greenfield DF GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50168	Specific Code	London Stone Investments F3 SP GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50169	Specific Code	London Stone Investments F3 Employee Feeder GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules

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C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	254900TWUJUQ44TQJY84GB50170	Specific Code	London Stone Investments F3 I Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50171	Specific Code	London Stone Investments F3 II Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50158	Specific Code	Infracapital (Belmond) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50159	Specific Code	George Digital GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50160	Specific Code	George Digital GP 2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50161	Specific Code	Infracapital Greenfield Partners I Subholdings GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50162	Specific Code	Infracapital Partners II Subholdings GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800RS1K1ALXHQSM37	LEI	Infracapital DF II GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50177	Specific Code	M&G PFI 2018 GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50178	Specific Code	M&G PFI 2018 GP1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50179	Specific Code	M&G PFI 2018 GP2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50180	Specific Code	Selly Oak Shopping Park (Nominee 1) Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50181	Specific Code	Selly Oak Shopping Park (Nominee 2) Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50187	Specific Code	Infracapital (Churchill) GP 1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50188	Specific Code	Infracapital (Churchill) GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules

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C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	213800G4AW9FIOTNDW05	LEI	Infracapital DF II Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50189	Specific Code	Infracapital (Gigaclear) GP 1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50190	Specific Code	Infracapital (Gigaclear) GP 2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50191	Specific Code	Infracapital (Gigaclear) GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50192	Specific Code	Infracapital (Leo) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50193	Specific Code	Infracapital Partners III Subholdings (Euro) GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50194	Specific Code	Infracapital Partners III Subholdings (Sterling) GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50195	Specific Code	Infracapital Partners III Subholdings GP1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50196	Specific Code	Infracapital Partners III Subholdings GP2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
US	254900TWUJUQ44TQJY84US50197	Specific Code	M&G Investments (Americas) Inc.	Credit institution, investment firm and financial institution	Inc	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
AU	254900TWUJUQ44TQJY84AU50198	Specific Code	M&G Investments (Australia) Pty Ltd	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800HCVFJDNNWBJV60	LEI	Infracapital Employee Feeder GP 1 LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
LU	254900TWUJUQ44TQJY84LU50199	Specific Code	M&G SFF (GP) Sárl	Credit institution, investment firm and financial institution	Sarl	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
LU	254900TWUJUQ44TQJY84LU50200	Specific Code	M&G SFF (CIP GP) Sárl	Credit institution, investment firm and financial institution	Sarl	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules

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C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	254900TWUJUQ44TQJY84GB50201	Specific Code	M&G RE UKEV (GP1) LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
LU	254900TWUJUQ44TQJY84LU50105	Specific Code	Prudential Credit Opportunities GP S.a.r.l	Credit institution, investment firm and financial institution	Sarl	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
LU	254900TWUJUQ44TQJY84LU50140	Specific Code	Prudential Loan Investments GP S.a.r.l	Credit institution, investment firm and financial institution	Sarl	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50202	Specific Code	GS R100 GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50203	Specific Code	Infracapital Greenfield Partners I Employee Feeder LP	Credit institution, investment firm and financial institution	LP	Non-mutual	Financial Conduct Authority	73.44%	73.44%	100%		Dominant	73.44%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50204	Specific Code	Infracapital Greenfield Partners I SLP LP	Credit institution, investment firm and financial institution	LP	Non-mutual	Financial Conduct Authority	36.3%	36.3%	36.3%		Dominant	36.3%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50205	Specific Code	Infracapital Greenfield Partners I SLP2 LP	Credit institution, investment firm and financial institution	LP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50207	Specific Code	M&G RE UKEV 1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50208	Specific Code	Infracapital (Novos) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
LU	254900TWUJUQ44TQJY84LU50209	Specific Code	Infracapital Greenfield Partners II GP S.à r.l	Credit institution, investment firm and financial institution	Sarl	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50210	Specific Code	Infracapital Greenfield Partners II Subholdings GP1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50211	Specific Code	Infracapital Greenfield Partners II Subholdings GP2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50212	Specific Code	London Green Investments II SLP2 GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
US	254900TWUJUQ44TQJY84US50214	Specific Code	M&G Investments (USA) Inc	Credit institution, investment firm and financial institution	Inc	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules

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Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/ No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	254900TWUJUQ44TQJY84GB50215	Specific Code	M&G UK Shared Ownership Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50217	Specific Code	M&G UK Shared Ownership GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50218	Specific Code	London Green Investments II SLP GP1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	2138002RFR4BTEF7YU47	LEI	Infracapital Employee Feeder GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50219	Specific Code	London Green Investments II SLP GP2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50220	Specific Code	Infracapital Greenfield Partners II Subholdings (Euro) GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50221	Specific Code	Infracapital Greenfield Partners II Subholdings (Sterling) GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50222	Specific Code	London Green Investments II SLP1 Employee Feeder GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800P1OWQBRFI24Y37	LEI	Infracapital F1 GP2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	2138005WNCQJ92OOSA81	LEI	Infracapital F2 GP1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	2138001NDC2CXRVBQK60	LEI	Infracapital F2 GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800OB4PR94BXKJ236	LEI	Infracapital GP 1 LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800W58WBW4ET22C95	LEI	Infracapital GP 2 LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800MVIYWDQVRLI823	LEI	Infracapital GP II Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules

								Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/ No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	213800JRZM7 2UGV6CI51	LEI	Infracapital GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50034	Specific Code	Infracapital Greenfield Partners I GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50035	Specific Code	Infracapital Greenfield Partners I GP2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50041	Specific Code	Infracapital Sisu GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800487VR YDWHTPP07	LEI	Infracapital SLP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	2138007725YD 65U15F53	LEI	Innisfree M&G PPP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	35%	35%	35%		Significant	35%	No		Method 1: Sectoral rules
GG	213800BKDGD FPWZ9I567	LEI	M&G (Guernsey) Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	99.99%	99.99%	99.99%		Dominant	99.99%	No		Method 1: Sectoral rules
LU	2549007K6TQ BRKISX148	LEI	M&G (Lux) Emerging Markets Corporate ESG Bond Fund	Credit institution, investment firm and financial institution	SICAV	Non-mutual	Financial Conduct Authority	54.82%	54.82%	54.82%		Dominant	54.82%	No		Method 1: Sectoral rules
LU	254900VWNG K5PEWW3D62	LEI	M&G (Lux) Global Enhanced Equity Premia Fund	Credit institution, investment firm and financial institution	SICAV	Non-mutual	Financial Conduct Authority	99.76%	99.76%	99.76%		Dominant	99.76%	No		Method 1: Sectoral rules
GB	549300ZIIULA ZVZYPH61	LEI	M&G Alternatives Investment Management Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
JE	213800XWJK MTGW5FFF24	LEI	Canada Property (Trustee) No 1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	549300FZ6A1 KPBVDIL49	LEI	M&G Financial Services Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800R8L6E3 XPVVFL89	LEI	M&G Founders 1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
KY	254900TWUJ UQ44TQJY84K Y50049	Specific Code	M&G General Partner Inc.	Credit institution, investment firm and financial institution	Inc	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules

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C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	213800KJZSL1 C19HEC43	LEI	M&G IMPPP 1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50052	Specific Code	M&G International Investments Nominees Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
CH	213800W2WT 4VU6ZYLQ18	LEI	M&G International Investments Switzerland AG	Credit institution, investment firm and financial institution	AG	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	BFM4HY1ZHO CH3K3E4934	LEI	M&G Investment Management Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
HK	213800ES4923 6T3NQN10	LEI	M&G Investments (Hong Kong) Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
SG	21380025WDE GTPM9NX11	LEI	M&G Investments (Singapore) Pte. Ltd.	Credit institution, investment firm and financial institution	Pte Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800JPPWE 5YGH42O41	LEI	Canada Property Holdings Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800TFNC2 ZYHSGTN11	LEI	M&G FA Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800QNOS WGOPB5UV85	LEI	M&G Management Services Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800G466C CYQACXV49	LEI	M&G Nominees Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900D9TEA 74KST4Q51	LEI	Sustainable Multi Asset Balanced Fund	Credit institution, investment firm and financial institution	OEIC	Non-mutual	Financial Conduct Authority	99.73%	99.73%	99.73%		Dominant	99.73%	No		Method 1: Sectoral rules
GB	2549003V8PM 4BMYMKF91	LEI	Sustainable Multi Asset Cautious Fund	Credit institution, investment firm and financial institution	OEIC	Non-mutual	Financial Conduct Authority	99.94%	99.94%	99.94%		Dominant	99.94%	No		Method 1: Sectoral rules
GB	254900ZUHM1 AZFWRQW76	LEI	Sustainable Multi Asset Growth Fund	Credit institution, investment firm and financial institution	OEIC	Non-mutual	Financial Conduct Authority	99.72%	99.72%	99.72%		Dominant	99.72%	No		Method 1: Sectoral rules
GB	2549005SE8F SL4SH8L25	LEI	M&G Emerging Markets Monthly Income Fund	Credit institution, investment firm and financial institution	OEIC	Non-mutual	Financial Conduct Authority	97.86%	97.86%	97.86%		Dominant	97.86%	No		Method 1: Sectoral rules
GB	213800E1NPB H4KN1B443	LEI	M&G Platform Nominees Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules

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C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
SG	254900TWUJUQ44TQJY84SG50062	Specific Code	M&G Real Estate Asia Holding Company Pte. Ltd.	Credit institution, investment firm and financial institution	Pte Ltd	Non-mutual	Financial Conduct Authority	67%	67%	67%		Dominant	67%	No		Method 1: Sectoral rules
SG	213800FAISWOSU2EQK07	LEI	M&G Real Estate Asia PTE. Ltd.	Credit institution, investment firm and financial institution	Pte Ltd	Non-mutual	Financial Conduct Authority	67%	67%	67%		Dominant	67%	No		Method 1: Sectoral rules
LU	213800Z48ASVKSJTGD29	LEI	M&G Real Estate Funds Management S.à r.l.	Credit institution, investment firm and financial institution	Sarl	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
JP	213800VTT28ET4O1PV50	LEI	M&G Real Estate Japan Co., Ltd.	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	67%	67%	67%		Dominant	67%	No		Method 1: Sectoral rules
KR	213800ZFUE19ABTOJS32	LEI	M&G Real Estate Korea Co., Ltd.	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	67%	67%	67%		Dominant	67%	No		Method 1: Sectoral rules
GB	213800WR9O2VZ41XUX41	LEI	Falan GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	2138006D2BQB3YVJTC36	LEI	M&G Real Estate Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
IT	254900TWUJUQ44TQJY84IT50227	Specific Code	Via Lodovisco	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800PIXU3LZHV2BH48	LEI	M&G RED II Employee Feeder GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GG	213800Y7KFRATZJWC561	LEI	M&G RED II GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	2138006PPJJMAIS2CZ55	LEI	M&G RED II SLP GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800IAVVN6BAG5IH60	LEI	M&G RED III Employee Feeder GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GG	2138009UE5XKGEEHPU69	LEI	M&G RED III GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800Q1F9BIQYP4QU18	LEI	M&G RED III SLP GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800XSQZKI3OYTHK77	LEI	Greenpark (Reading) General Partner Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800EJI6R6NCE8OL35	LEI	M&G RPF GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules

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Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/ No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	213800RPN1JJ WLQAHF37	LEI	M&G RPF Nominee 1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800CE63B 2HUDSOH12	LEI	M&G RPF Nominee 2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	5493001JY2K C4SJGF862	LEI	M&G Securities Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
IE	213800YJG88 GK1ZGI781	LEI	M&G SIF Management Company (Ireland) Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800YHDS1 MJDDQAY31	LEI	M&G UK Property GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800YODYX TA14V3G51	LEI	M&G UK Property Nominee 1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800CK6NB VYIQNNG81	LEI	M&G UK Property Nominee 2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800B18GD 1VUW66137	LEI	M&G UKCF II GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800IJ1DJ1 A8SPRW13	LEI	PPM Capital (Holdings) Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800OZGF W18S2KPG35	LEI	Greenpark (Reading) Nominee No. 1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	2138008EIWH 2HN5RNH61	LEI	PPM Managers GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
HK	213800XHPO MVNJNNRG37	LEI	PPM Ventures (Asia) Limited (In liquidation)	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800CPRC1 XNAIMP376	LEI	Prudential / M&G UKCF GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800Y2L3Q QS5JAGC68	LEI	Prudential GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	21380059C3D LSM1MGQ63	LEI	Prudential Greenfield GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800JN6JC W3GKS5413	LEI	Prudential Greenfield GP1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	Criteria of influence: % capital share	Criteria of influence: % used for the establishment of consolidated accounts	Criteria of influence: % voting rights	Criteria of influence: Other criteria	Criteria of influence: Level of influence	Criteria of influence: Proportional share used for group solvency calculation	Inclusion in the scope of Group supervision: Yes/ No	Inclusion in the scope of Group supervision: Date of decision if art. 214 is applied	Group solvency calculation: Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	21380032Y83 D1GVVRG14	LEI	Prudential Greenfield GP2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800KXAX5 G69OQTW74	LEI	Prudential Greenfield SLP GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
ZA	254900TWUJ UQ44TQJY84Z A50095	Specific Code	Prudential Portfolio Managers (South Africa) (Pty) Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	49.99%	49.99%	49.99%		Significant	49.99%	No		Method 1: Sectoral rules
GB	213800SM1K5 5IRFQEA45	LEI	Prudential Property Investment Managers Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800JKLIPK 3IAYFX44	LEI	Greenpark (Reading) Nominee No. 2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800N48QE 66BJB2G59	LEI	Prudential Trustee Company Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	549300VDPV8 QUEZVO116	LEI	Prudential Unit Trusts Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800ZUZ86 J3YECM477	LEI	Rift GP 1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800J3OW7 78T7ZOZ61	LEI	Rift GP 2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	2138006L3KIE QC6REU54	LEI	Stableview Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800HRBQV XRWD41A27	LEI	Staple Nominees Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800P1BOX LGXP35370	LEI	The First British Fixed Trust Company Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50107	Specific Code	Genny GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	213800YQHBR CIZKMPL71	LEI	GGE GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	2138001KLYO N8RC5KU34	LEI	Prudential Property Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation

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C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	5493002C5QL MYRKL5W76	LEI	The Greenpark (Reading) Limited Partnership	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	549300E9W63 X1E5A3N24	LEI	M&G Credit Income Investment Trust plc	Other	PLC	Non-mutual		21.66%	21.66%	21.66%		Dominant	21.66%	No		Method 1: Adjusted equity method
GB	254900PI3TBT F3ZMF252	LEI	M&G ACS CANADA INDEX FUND	Other	ACS	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
GB	254900OFLZN ZHDM0BQ98	LEI	M&G ACS CHINA EQUITY FUND	Other	ACS	Non-mutual		99.09%	99.09%	99.09%		Dominant	99.09%	No		Method 1: Adjusted equity method
GB	254900OO23C S49OGK760	LEI	M&G ACS JAPAN EQUITY FUND	Other	ACS	Non-mutual		96.82%	96.82%	96.82%		Dominant	96.82%	No		Method 1: Adjusted equity method
GB	254900LEWB RJPCXWYE45	LEI	M&G ACS UK 200 INDEX FUND	Other	ACS	Non-mutual		98.6%	98.6%	98.6%		Dominant	98.6%	No		Method 1: Adjusted equity method
GB	254900YRWH VLMQ27JM51	LEI	M&G ACS UK ALL SHARE INDEX FUND	Other	ACS	Non-mutual		98.64%	98.64%	98.64%		Dominant	98.64%	No		Method 1: Adjusted equity method
GB	254900BIHCK CYLH8R136	LEI	M&G ACS UK LISTED EQUITY FUND	Other	ACS	Non-mutual		98.64%	98.64%	98.64%		Dominant	98.64%	No		Method 1: Adjusted equity method
GB	254900SJP8A EJWQOHR04	LEI	M&G ACS UK LISTED MID CAP FUND	Other	ACS	Non-mutual		99.75%	99.75%	99.75%		Dominant	99.75%	No		Method 1: Adjusted equity method
GB	549300THPKS TF3PVJH59	LEI	LF Prudential European QIS Fund	Other	QIS	Non-mutual		91.96%	91.96%	98.08%		Dominant	91.96%	No		Method 1: Adjusted equity method
GB	549300FOCI4 SMOSPII72	LEI	LF Prudential Risk Managed Passive Fund 3	Other	OEIC	Non-mutual		21.81%	21.81%	58.01%		Dominant	21.81%	No		Method 1: Adjusted equity method
LU	549300FH80N GSGJZ6T14	LEI	M&G European High Yield Credit Investment Fund	Other	Part I UCITS SICAV	Non-mutual		27.3%	27.3%	42.82%		Dominant	27.3%	No		Method 1: Adjusted equity method
LU	549300IYMZO MGU289Y25	LEI	Eastspring Investments - Asian Local Bond Fund	Other	SICAV-FIS	Non-mutual		100%	100%	59.14%		Dominant	100%	No		Method 1: Adjusted equity method
GB	549300N9SNU AIFOYDI51	LEI	LF Prudential Pacific Markets Trust Fund	Other	UT	Non-mutual		98.38%	98.38%	94.96%		Dominant	98.38%	No		Method 1: Adjusted equity method
LU	5493008KPE4 3OH6L0B76	LEI	Eastspring Investments - Asian Smaller Companies Fund	Other	SICAV-FIS	Non-mutual		100%	100%	48.84%		Dominant	100%	No		Method 1: Adjusted equity method

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C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
LU	549300T9BURP81FE3140	LEI	Eastspring Investments - Asian Total Return Bond Fund	Other	SICAV-FIS	Non-mutual		100%	100%	34.42%		Dominant	100%	No		Method 1: Adjusted equity method
LU	549300WH17GSWHDDF354	LEI	Eastspring Investments - Global Emerging Markets Customized Equity Fund	Other	SICAV-FIS	Non-mutual		100%	100%	28.5%		Dominant	100%	No		Method 1: Adjusted equity method
LU	549300PRNN1UOMEMAD71	LEI	Eastspring Investments - Global Emerging Markets Dynamic Fund	Other	SICAV-FIS	Non-mutual		100%	100%	65.54%		Dominant	100%	No		Method 1: Adjusted equity method
LU	254900TWUJUQ44TQJY84LU60013	Specific Code	Eastspring Investments US Equity Income Fund	Other	SICAV-FIS	Non-mutual		100%	100%	26.52%		Dominant	100%	No		Method 1: Adjusted equity method
LU	254900TWUJUQ44TQJY84LU60016	Specific Code	Eastspring Investments SICAV-FIS Africa Equity Fund	Other	SICAV-FIS	Non-mutual		100%	100%	20.69%		Dominant	100%	No		Method 1: Adjusted equity method
LU	549300I12ZNRM45WN289	LEI	Eastspring Investments - Developed and Emerging Asia Equity Fund	Other	SICAV-FIS	Non-mutual		78.97%	78.97%	45.02%		Dominant	78.97%	No		Method 1: Adjusted equity method
LU	5493000SLUS5IG5VX635	LEI	Eastspring Investments Asian Bond Fund	Other	SICAV-FIS	Non-mutual		51.21%	51.21%	62.9%		Dominant	51.21%	No		Method 1: Adjusted equity method
GB	549300EEGS1MD54C4S40	LEI	M&G Pan European Select Smaller Companies Fund	Other	OEIC	Non-mutual		34.21%	34.21%	44.39%		Dominant	34.21%	No		Method 1: Adjusted equity method
GB	5493004JH8VRBPCP8118	LEI	M&G Sustainable Multi Asset Fund	Other	OEIC	Non-mutual		69.42%	69.42%	20.34%		Dominant	69.42%	No		Method 1: Adjusted equity method
LU	5493008Y5DKL2XNZ4B15	LEI	Eastspring Investments - Japan Smaller Companies Fund	Other	SICAV-FIS	Non-mutual		60.02%	60.02%	46.68%		Dominant	60.02%	No		Method 1: Adjusted equity method
LU	549300H7BXWY84BG9B41	LEI	China Bond Fund	Other	SICAV-FIS	Non-mutual		100%	100%	35.88%		Dominant	100%	No		Method 1: Adjusted equity method

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C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
IE	5493006LDY5I4K1U7Y37	LEI	Lion Credit Opportunity Fund Public Limited Company - Credit Opportunity Fund XV	Other	PLC	Non-mutual		100%	100%	26.85%		Dominant	100%	No		Method 1: Adjusted equity method
GB	5493002LPXH8M4JBJ851	LEI	LF Prudential Japanese QIS Fund	Other	QIS	Non-mutual		98.08%	98.08%	98.08%		Dominant	98.08%	No		Method 1: Adjusted equity method
GB	549300KBTRWWDKVVOJ54	LEI	M&G Dividend Fund	Other	OEIC	Non-mutual		58.01%	58.01%	58.01%		Dominant	58.01%	No		Method 1: Adjusted equity method
GB	549300M1TZWEHJE37C20	LEI	M&G European Select Fund	Other	OEIC	Non-mutual		42.82%	42.82%	42.82%		Dominant	42.82%	No		Method 1: Adjusted equity method
GB	549300JXS02SDDJZHX04	LEI	M&G Gilt & Fixed Interest Income Fund	Other	OEIC	Non-mutual		59.14%	59.14%	59.14%		Dominant	59.14%	No		Method 1: Adjusted equity method
GB	549300DWKPOX3P1RIJ10	LEI	LF Prudential North American QIS Fund	Other	QIS	Non-mutual		94.96%	94.96%	94.96%		Dominant	94.96%	No		Method 1: Adjusted equity method
GG	549300FEFNTKM50NRC34	LEI	The Car Auction Unit Trust	Other	UT	Non-mutual		48.84%	48.84%	48.84%		Dominant	48.84%	No		Method 1: Adjusted equity method
GB	549300TF2NQX3VRVQR58	LEI	M&G Corporate Bond Fund	Other	UT	Non-mutual		34.42%	34.42%	34.42%		Dominant	34.42%	No		Method 1: Adjusted equity method
GB	549300441KA9G1F3EG24	LEI	M&G Investment Funds (10) - M&G Positive Impact Fund	Other	OEIC	Non-mutual		28.5%	28.5%	28.5%		Dominant	28.5%	No		Method 1: Adjusted equity method
GB	549300T4PWVN5LFO1U25	LEI	M&G Investment Funds (7) - M&G Global Convertibles Fund	Other	OEIC	Non-mutual		65.54%	65.54%	65.54%		Dominant	65.54%	No		Method 1: Adjusted equity method
GB	5493001XMX756I8DDX84	LEI	M&G Investment Funds (4) - M&G Episode Allocation Fund	Other	OEIC	Non-mutual		26.52%	26.52%	26.52%		Significant	26.52%	No		Method 1: Adjusted equity method
GB	213800OYKACAA223KA89	LEI	Invesco Managed Growth Fund (UK)	Other	OEIC	Non-mutual		20.69%	20.69%	20.69%		Significant	20.69%	No		Method 1: Adjusted equity method
GB	549300QWW7Y8O6HSZO98	LEI	M&G Global High Yield Bond	Other	OEIC	Non-mutual		45.02%	45.02%	45.02%		Dominant	45.02%	No		Method 1: Adjusted equity method
GB	254900IJVXMO64X82K96	LEI	M&G Global High Yield ESG Bond Fund	Other	OEIC	Non-mutual		62.9%	62.9%	62.9%		Dominant	62.9%	No		Method 1: Adjusted equity method

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C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
LU	549300VL49S AAQZU3D08	LEI	M&G Lux Emerging Markets Bond Fund	Other	SICAV	Non-mutual		44.39%	44.39%	44.39%		Dominant	44.39%	No		Method 1: Adjusted equity method
IE	635400RC9BB CRAJKY549	LEI	KBI ACWI Equity Fund	Other	ICAV	Non-mutual		20.34%	20.34%	20.34%		Dominant	20.34%	No		Method 1: Adjusted equity method
GB	5493006Y42N L3VIZDX15	LEI	LF Prudential Risk Managed Passive Fund 1	Other	OEIC	Non-mutual		46.68%	46.68%	46.68%		Dominant	46.68%	No		Method 1: Adjusted equity method
GB	549300LQFO5 UKO80O650	LEI	LF Prudential Risk Managed Active 4	Other	OEIC	Non-mutual		35.88%	35.88%	35.88%		Dominant	35.88%	No		Method 1: Adjusted equity method
GB	5493006W7LY 28KGUSB46	LEI	LF Prudential Risk Managed Active 3	Other	OEIC	Non-mutual		26.85%	26.85%	26.85%		Dominant	26.85%	No		Method 1: Adjusted equity method
GB	549300UI6ET9 TLZ65L17	LEI	LF Prudential Risk Managed Active 5	Other	OEIC	Non-mutual		31.82%	31.82%	31.82%		Dominant	31.82%	No		Method 1: Adjusted equity method
GB	549300Q0ZPR DES44QI46	LEI	LF Prudential Risk Managed Active 2	Other	OEIC	Non-mutual		25.76%	25.76%	25.76%		Significant	25.76%	No		Method 1: Adjusted equity method
GB	254900TWUJ UQ44TQJY84 GB50184	Specific Code	M&G Corporate Holdings Limited	Mixed financial holding company as defined in Article 212 (1)(h) of Directive 2009/138/EC	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB40024	Specific Code	Prudence Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB40020	Specific Code	Pru Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB40023	Specific Code	PARTNERSHIP PLANNING SERVICES LIMITED	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB40022	Specific Code	Prudential Portfolio Managers Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB40010	Specific Code	Prudential Staff Pensions Limited	Other	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
GB	254900TWUJ UQ44TQJY84 GB40025	Specific Code	Prudential Venture Managers Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation

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C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	CHW8NHK268 SFPTV63Z64	LEI	Prudential Capital Public Limited Company	Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	PLC	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	549300GLZGE GEQY0TJ64	LEI	Prudential Capital Holding Company Limited	Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
SG	549300MWP9 XNST2HB451	LEI	Prudential Capital (Singapore) Pte. Ltd.	Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Pte Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	2138008K7KV OA2SVGD38	LEI	Investment Funds Direct Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	No		Method 1: Sectoral rules
GB	2138002KV6W LPKHJHM45	LEI	Wrap IFA Services Limited	Other	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
GB	213800NMZJ4 ZRQQFID11	LEI	Investment Funds Direct Group Limited	Other	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
GB	213800NZUBP U84ODP247	LEI	Investment Funds Direct Holdings Limited	Other	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
GB	213800TMTEJ 2B9Y8SL32	LEI	IFDL Personal Pensions Limited	Other	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
GB	213800XQZAR YTKRCCL88	LEI	Fundsdirect Nominees Limited	Other	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
GB	2138007FBAW NLE1HNA54	LEI	Fundsdirect ISA Nominees Limited	Other	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	No		Method 1: Adjusted equity method
GB	8IUGZ4RSNMJ G05397M84	LEI	The Prudential Assurance Company Limited	Life insurance undertaking	Ltd	Non-mutual	Prudential Regulation Authority	100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation
IE	635400T4W5 MRQTBLGQ38	LEI	Prudential International Assurance plc	Life insurance undertaking	PLC	Non-mutual	Central Bank of Ireland	100%	100%	100%		Dominant	100%	No		Method 1: Full consolidation