M&G plc

Group Solvency and Financial Condition Report

31 December 2019

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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). The structure of this report follows the structure set out in Annex XX and discloses the information referred to in Articles 292 to 298 and Article 359 of the Delegated Regulation. The report also contains narrative information in quantitative and qualitative form supplemented, where appropriate, with quantitative templates.

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 of this document

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 2019. This report sets out aspects of the Group's business performance, system of governance, risk profile, valuation for solvency purposes and capital management. The SFCR has been prepared in accordance with the relevant Solvency II regulations.

Group background

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

The Group is a savings and investments business. It serves over 5 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 two strong customer brands: Prudential and M&G. 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 2019, the Group's Assets under Management and Administration (AUMA) was £352bn.

The Group operates across two segments: Savings and Asset Management and Heritage. The Savings and Asset Management segment, with £216bn AUMA as at 31 December 2019, comprises the Group's retail savings (including PruFund) and asset management business as well as its institutional asset management business. The Heritage segment, with £134bn AUMA as at 31 December 2019, comprises the Group's traditional with-profits business as well as its annuities and corporate pensions businesses. In addition to the segment AUMA there are £1.6bn of corporate assets as at 31 December 2019.

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 UK in 1848, and is a provider of savings and retirement income products. Its core strengths in with-profits and financial products for retirement are underpinned by expertise in areas such as understanding life expectancy, managing investment risk and a range of investment assets.

PAC's products are typically long-term, consisting of life insurance, pensions, pension annuities, investment and savings products. In common with other UK long-term insurance companies, its products are structured as either with-profits (or participating) products or non-participating products including annuities in payment and unit-linked products.

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 which 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 smoothed returns to customers. PAC uses a bonus process to smooth some of the highs and lows of investment performance.

All the profits on business written outside of the With-Profits Fund, including that written by its subsidiary insurance undertakings Prudential Pensions Limited (PPL) and Prudential International Assurance plc (PIA), is 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 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.

Basis of preparation

The Group was formed in 2018 but was not required to produce group Solvency II reporting until its demerger from Prudential plc. As such, there is no formal solvency valuation for the Group as at 31 December 2018, with the first regulatory Group Solvency II valuation being carried out as at 31 December 2019.

To aid understanding of the recent developments in Group's solvency position, an analysis of material changes in the Group's own funds and Solvency Capital Requirements (SCR) over 2019 has been provided in Section E, assuming that the Group was subject to Solvency II group reporting requirements at the start of the year.

This analysis, along with any comparative information derived from the IFRS consolidated financial statements, has been prepared using merger accounting principles, which are applied as though the Group had existed in its current form throughout 2019 and during the comparative period. This is described in more detail in Note 1.3 of the IFRS consolidated financial statements within the M&G plc 2019 Annual Report and Accounts.

Summary (continued)

Business and performance

Demerger from Prudential plc

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

A Demerger Agreement governs the post-demerger obligations of the Group and Prudential plc (and its subsidiaries) in respect of, among other things, data sharing and the respective indemnity obligations.

Following the demerger, the Group has control over its strategy and capital management, supporting its transformation to a digitally-enabled, capital-efficient business and the continued development of its investment capabilities and international distribution. The Group also made changes to its systems of governance (described in Section B) reflecting its position as a standalone listed savings and and investment business.

During 2019, but prior to the completion of the demerger, a number of financial transactions took place between the Group and Prudential plc, including the transfer of subordinated debt to the Group, the payment of dividends to Prudential plc and the purchase of a number of subsidiaries. Further details are provided in Section A.1.4.1.

Performance of businesses

The Group's diverse business offering and disciplined financial management enabled it to deliver resilient financial performance in a challenging environment. While the Group uses a number of key performance measures to assess its performance, the Group measures its underwriting and investment performance using International Financial Reporting Standards (IFRS) profit before tax and adjusted operating profit before tax, which is the Group's non-GAAP alternative performance measure.

For the year ended 31 December 2019, total adjusted operating profit before tax was £1,149m (2018: £1,621m). The 2018 results reflected significant benefits including from mortality assumption changes which have not been repeated to the same magnitude in 2019.

The 2019 adjusted operating profit before tax reflected £474m of profits from the Group's Savings and Asset Management segment, £752m from its Heritage segment and losses of £77m from its Corporate Centre (including debt costs).

IFRS profit before tax from continuing operations was £1,305m (2018: £1,003m) and reflects the adjusted operating profit before tax, and profit or loss before tax from non-operating items including: short-term investment fluctuations, impacts of business disposals and corporate transactions, and restructuring and other costs.

Further information on adjusted operating profit before tax and IFRS profit before tax is provided in Section A.2, and the Solvency II position including an analysis of movements in own funds and SCR is set out in Section E.

A full description of the Group's key metrics and further commentary on these results is contained within the Business and Financial Review and Supplementary Information of the M&G plc 2019 Annual Report and Accounts.

The Group continues to monitor the effects of the coronavirus (COVID-19) outbreak which has been declared as a pandemic by the World Health Organization. Further detail on the impact of COVID-19, and the impact on the Group's solvency position, is included in Section A.5.5.

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 demerged Group and its stakeholders.

The Board and its Committees operate under approved terms of reference which are reviewed at least annually. The Board also undertakes an annual review of its performance and effectiveness.

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

As part of its business operations, the Group takes on risks on behalf of its 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. 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.

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. In particular, sensitivity analysis of the Group's Solvency II coverage ratio to various stresses is provided in Section C.7.2.

Valuation for solvency purposes

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

(i) 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 and the risk margin, reduced by the "transitional measures on technical provisions" where relevant.

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

Summary (continued)

Valuation for solvency purposes (continued)

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 and Prudential Capital plc (the Group's treasury function), are included using sectoral rules (if regulated) or notional sectoral rules (if unregulated).

As at 31 December 2019 the Group’s excess of assets over liabilities on a Solvency II basis was £18.8bn, which is £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 (£16.1bn) which is treated as a liability under IFRS but recognised as surplus assets in the Solvency II balance sheet.

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 at 31 December 2019

Figures in £m		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
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 include M&G Group Limited and Prudential Capital plc that are included in the Group own funds using their sectoral or notional sectoral rules.

The Group has been granted approval by the Prudential Regulation Authority (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. In advance of the demerger, the Internal Model governance framework was reviewed to ensure it remains appropriate for the Group. This formed part of the 2019 Major Model Change application which was approved by the PRA in October 2019.

At 31 December 2019, the Group SCR (including requirements for OFS undertakings) was £10,419m. The amount of own funds eligible to cover the Group SCR was £14,889m, giving rise to a regulatory Solvency II coverage ratio of 143% and Group Solvency II surplus of £4,471m.

At 31 December 2019 the Group MCR was £2,501m and the amount of own funds eligible to cover it was £10,774m.

The Group has met its SCR and MCR requirements at all times since the demerger.

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. At 31 December 2019 the With-Profits Fund had a solvency ratio of 267%.

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, 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.

Figure 2: Shareholder and With-Profits Fund views of the Solvency II capital position at 31 December 2019

Figures in £m	Shareholder view	With-Profits Fund view	Ring-fenced fund restrictions	Regulatory view[1]
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 of £4,471m, but provides a higher solvency ratio of 176%.

A reconciliation of the estimated Group shareholder Solvency II capital position published in the Group's 2019 Annual Report and Accounts to the Solvency II capital position incorporating the Group's ring-fenced funds, included in the quantitative reporting templates included in the Appendix to this document, is provided in Section E.

Summary (continued)

Capital management (continued)

Sensitivity of the solvency ratio to matching adjustments and transitional measures

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

Figure 3: Solvency ratio without the matching adjustment and TMTP

	Solvency ratio at 31 December 2019		
	As reported	Without the matching adjustment	Without TMTP
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, 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 principal holding company of the Group.

The registered office of the Company is:

10 Fenchurch Avenue

London

EC3M 5AG

Prior to 12 April 2019 the address of the registered office of the Company was:

Governors House

Laurence Pountney Hill

London

EC4R 0HH

This SFCR covers the Group. Separate reports are available for each regulated insurance subsidiary in the Group.

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 2019, there were no holders of qualifying holdings in M&G plc (being a holder of 10% or more of the capital or voting rights).

Prior to its demerger M&G plc was a wholly owned subsidiary of Prudential plc.

A Business and performance (continued)

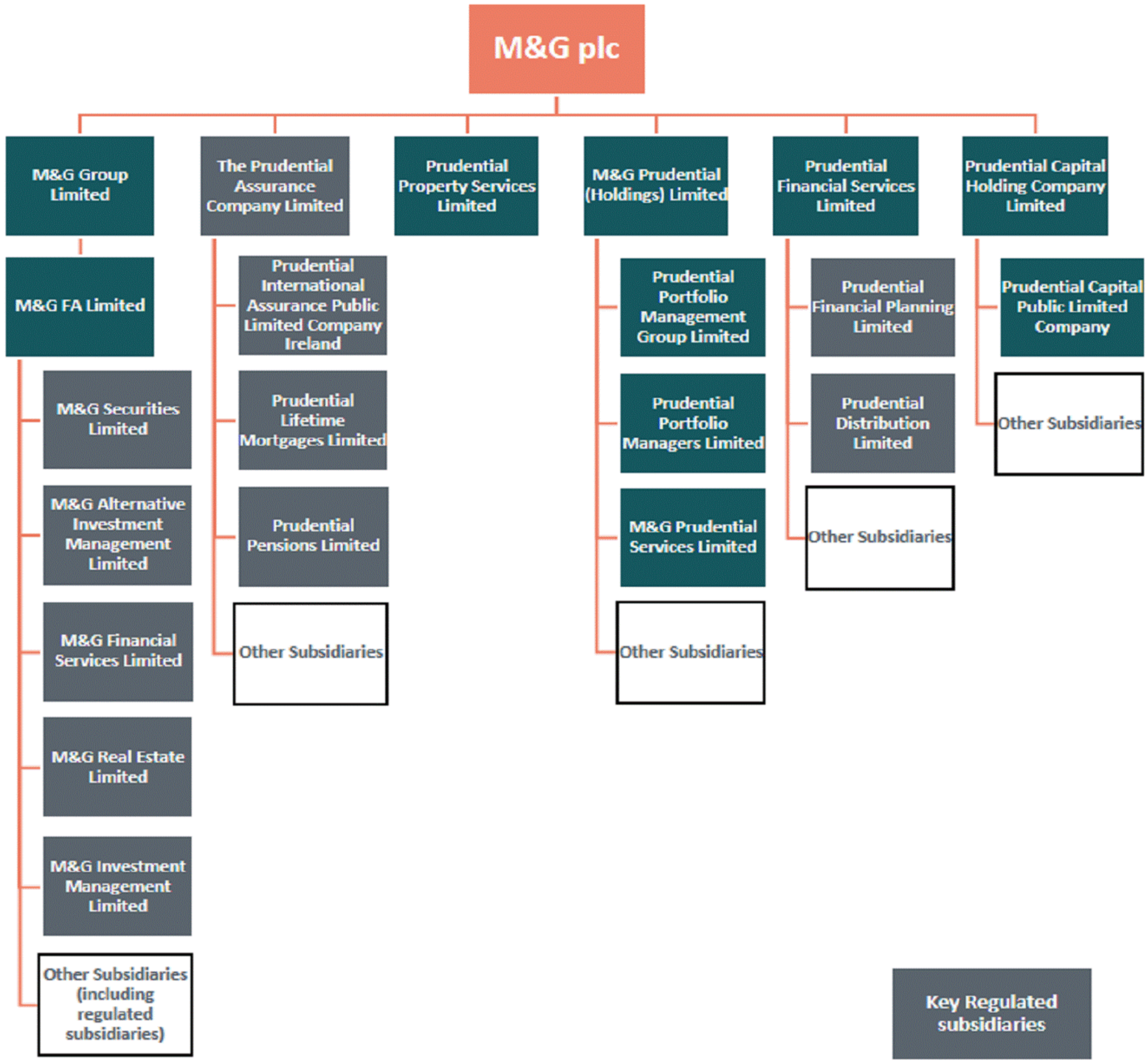
A.1 Business (continued)

A.1.2 Group structure

A.1.2.1 Legal structure of the Group and related undertakings

Figure 4 is an extract of the Group structure as at 31 December 2019 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 4: Simplified structure of M&G plc as at 31 December 2019



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

The table below lists its main operating subsidiaries as at 31 December 2019. The subsidiaries below are all wholly owned group companies both as to equity and voting rights.

Figure 5: Main operating subsidiaries of the Group

Subsidiary	Main activity	Country of incorporation
The Prudential Assurance Company Limited	Insurance	England and Wales
Prudential Pensions Limited	Insurance	England and Wales
Prudential International Assurance plc	Insurance	Ireland
M&G Group Limited (including subsidiaries)	Asset Management operations	England and Wales
Prudential Capital Holding Company Limited (including subsidiaries)	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 operates in the UK and certain European markets.

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

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 of the M&G plc 2019 Annual Report and Accounts.

A Business and performance (continued)

A.1 Business (continued)

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. This template contains the same list as in Note 41 of the M&G plc 2019 Annual Report and Accounts, but additionally includes M&G plc.

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 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 6: Approach to calculate solvency for material subsidiaries

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 Holding Company Limited (and subsidiaries) and Prudential Portfolio Management Group Limited	Notional sectoral requirements, based on BIPRU[2]
Prudential Lifetime Mortgages Limited	MIPRU[3] 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 has been based assuming BIPRU rules were to apply.
[3] 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 segments: Savings and Asset Management and Heritage.

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. The Group's retirement and savings products are distributed to retail customers through intermediaries and through its own 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 and institutional investors. The Group's retail customers invest through either UK domiciled Open Ended Investment Companies (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 Business and performance (continued)

A.1 Business (continued)

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 both non-profit and with-profits annuities. The non-profit annuities 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 with-profits annuities are written in the With-Profits Fund and combine the income features of annuity contracts with the investment smoothing features of with-profits products and enable policyholders to obtain exposure to investment return on the With-Profits Fund.

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 fees are received for the provision of investment management services. 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.

A.1.3.3 Corporate

The Corporate Centre includes head office costs and debt servicing 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 M&G plc demerger and transactions with Prudential plc

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

The demerger was implemented by Prudential plc making an in-specie distribution of M&G plc shares to Prudential plc shareholders who were registered on the Prudential Share Register at 6pm on 18 October 2019.

A Demerger Agreement governs the post-demerger obligations of the Group and Prudential plc in respect of, among other things, data sharing and their respective indemnity obligations, under which the Group indemnifies Prudential plc against losses, costs, damages and expenses of any kind suffered or arising directly or indirectly from or in consequence of the business carried on by the Group prior to the demerger and Prudential plc indemnifies the Group against losses, costs, damages and expenses of any kind suffered or arising directly or indirectly from or in consequence of the business carried on by Prudential plc other than the Group prior to the demerger.

It is not currently anticipated that the Group will be required to pay, or will receive, any significant amounts pursuant to such indemnity arrangements.

The Group also made changes to its systems of governance (described in Section B) to reflect being a standalone listed insurance Group.

During 2019 but prior to the completion of the demerger a number of financial transactions between the Group and Prudential plc took place. The most significant of these were:

- M&G plc was substituted as principal debtor in respect of Tier 2 subordinated debt with a nominal amount of £3,243m (with US Dollar balances converted to Pounds Sterling as at 30 June 2019 rates, where applicable) originally issued by Prudential plc in consideration for a payment of £3,241m.
- The Group paid a series of dividends totalling £4,360m to Prudential plc.
- The Group purchased a number of subsidiary companies including Prudential Capital Holdings Company Limited (which in turn owns Prudential Capital plc (PruCap) and Prudential Capital (Singapore) Pte. Limited (PCS)) for a cash consideration of £68m, and 10FA India Private Limited (formerly known as Prudential Global Services Private Limited) for a cash consideration of £19m.

During 2018, the Board of PAC approved a plan to sell its subsidiaries, Prudential Hong Kong Limited and Prudential General Insurance Hong Kong Limited, to Prudential Corporation Asia Limited, a subsidiary of Prudential plc and completed on 19 December 2018.

A.1.4.2 Recapture of quota-share reinsurance arrangement with Prudential Hong Kong Limited (PHKL)

PAC entered into a quota share reassurance treaty with PHKL in 2013 for 10.43% of the non-profit annuity book of the With-Profits Fund. This was recaptured with effect from 1 October 2019, and was treated as an unwind of the original quota share contact. This resulted in a reduction to outward reinsurance premium expenses and a corresponding charge to reinsurance recoverables resulting in a loss of £24m. The reinsurance recoverable and deposit-back liability have been removed from the balance sheet at 31 December 2019.

The recapture had no impact on IFRS profit or Group solvency as the arrangement related to the With-Profits Fund, and the contribution of that fund to the Group's profit and solvency is restricted to nil.

A.1.4.3 Sale of Vietnamese subsidiary

In June 2019, the Group completed the sale of its subsidiary Prudential Vietnam Finance Company Limited for gross proceeds of £119m, resulting in an IFRS gain on disposal of £55m.

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[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.1.4.4 Thematic Review of non-advised Annuity Sales Practices (TRASP)

The Group held a provision at 31 December 2019 for the review of past annuity sales. The Group 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. The review is examining whether customers were given sufficient information about their potential eligibility to purchase an enhanced annuity, either from Prudential or another pension provider.

Details of the provisions held at 31 December 2019 are shown in Section D.3.2.1.

The Group paid a fine of £24m to the FCA for historical failings in its non-advised annuities business. The Group has largely completed remediation on the relevant cases.

A.1.4.5 Part VII transfer of Rothesay Life reinsured annuities

On 14 March 2018, Prudential plc announced the reinsurance of £12bn shareholder-backed annuities (Solvency II technical provisions as at 31 December 2017) to Rothesay Life plc (Rothesay Life) by way of a collateralised reinsurance arrangement followed by an insurance business transfer scheme under Part VII of FSMA. However, on 16 August 2019, the High Court declined to sanction the Part VII transfer.

PAC and Rothesay Life were granted leave to appeal the judgement. The pros and cons of appealing were carefully discussed by the Directors, noting that Rothesay Life had indicated that they were willing to appeal. It was also noted that there was wider industry interest. Consequently, PAC and Rothesay Life decided to lodge appeals on 27 September 2019 having taken account of the long-term impact on both the business and policyholders. The Court of Appeal has not yet finalised the date of the appeal hearing. However, we do not expect the hearing to be until later in the year, with the Court of Appeal's judgement to follow. The High Court's judgement has no direct impact on the reinsurance with Rothesay Life and has not had a significant financial impact on the Group's 2019 results. The reinsurance remains in place. As with other changes to the business, the Group's priority is to ensure these customers are treated fairly.

The Solvency II liabilities relating to PAC's total UK shareholder-backed annuity portfolio as at 31 December 2019 were £29.5bn, of which £12.4bn is reinsured by Rothesay Life.

A.1.4.6 Part VII transfer of EU business to PIA

The Group has been reviewing its operations across Europe since the UK voted to leave the European Union (EU). In January 2019 there was a Part VII transfer of all of PAC's long-term European insurance business (excluding the UK) into its subsidiary PIA, which is based in the EU.

There was no material impact on the Group's solvency position as a result of the transfer.

A.1.4.7 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

M&G plc prepared consolidated financial statements for the first time for the year ended 31 December 2019. The financial statements have been prepared under merger accounting principles, which allow for entities acquired on initial formation of the Group to be presented as if the entities had always been part of the Group.

The Group uses IFRS, as endorsed by the EU, to prepare its consolidated financial statements.

The Group also 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 operating 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 is less affected than IFRS measures of performance by one-time impacts, and therefore, in the Group's view provides a better basis for assessing trends in the operational performance of the Group over time. 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 2019 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 for the year.

Figure 7: Adjusted operating profit before tax for the year ended 31 December 2019 and 31 December 2018

All figures in £m	2019	2018	Section
Adjusted operating profit before tax	**1,149**	1,621	A.2.2
Short-term fluctuations in investment returns	**298**	(3)	A.3.1
Profit/(loss) on disposal of business and corporate transactions	**53**	(508)	A.4.1
Restructuring and other costs	**(198)**	(109)	A.4.1
IFRS profit attributable to non-controlling interests	**3**	2	
IFRS profit before tax attributable to equity holders from continuing operations	**1,305**	1,003	
Tax from continuing operations	**(240)**	(192)	
IFRS profit after tax attributable to equity holders from continuing operations	**1,065**	811	
Profit/(loss) after tax for the year attributable to equity holders from discontinued operations	**58**	(776)	A.4.2
IFRS profit after tax attributable to equity holders	**1,123**	35	

Adjusted operating profit before tax was in line with expectations in 2019 but lower than the prior year, primarily reflecting a reduction in annuity profits compared to 2018, which benefited from a significant longevity assumption change of £441m and a £166m insurance recovery from the Group's professional indemnity insurers in respect of the FCA's review of annuities sales.

IFRS profit after tax attributable to equity holders from continuing operations increased by 31% year on year, reflecting the fall in adjusted operating profit before tax which was offset by a profit from non-operating items. The increase in profit was mainly attributable to gains from short-term fluctuations in investment returns and a £53m rebate in relation to the reinsurance of a part of the annuity portfolio to Rothesay Life offsetting a portion of the loss on the original reinsurance transaction in 2018.

Profit after tax from discontinued operations of £58m in 2019 primarily related to the sale of the Group's Vietnam Finance subsidiary (Prudential Vietnam Finance Company Limited). The loss from discontinued operations in 2018 of £776m reflected the sale of the Group's Prudential Hong Kong Limited and Prudential General Insurance Hong Kong Limited subsidiaries to Prudential Corporation Asia Limited.

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

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

Figure 8: Adjusted operating profit before tax for the year ended 31 December 2019 and 31 December 2018 by segment, business and Solvency II line of business

All figures in £m			Adjusted operating profit before tax	
Segment	Business	Solvency II line of business	2019	2018
Savings and Asset Management	Asset Management[1]	N/A	**381**	473
	With-profits (PruFund)	Insurance with-profit participation[2]	**55**	54
	Other	Other	**38**	(59)
	Total Savings and Asset Management	N/A	**474**	468
Heritage	With-profits	Insurance with-profit participation[3]	**187**	201
	Shareholder Annuities	Other	**458**	1,129
	Other	Other	**107**	(165)
	Total Heritage	N/A	**752**	1,165
Corporate Centre		N/A	**(77)**	(12)
Adjusted operating profit before tax			**1,149**	1,621

[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.

The largest contributors to adjusted operating profit before tax were the Asset Management business in 'Savings and Asset Management' and Shareholder Annuities in 'Heritage'.

Fee based revenues were impacted by lower average AUMA of £267bn (2018: £278bn) in Asset Management and a lower average fee margin in Retail Asset Management.

A Business and performance (continued)

A.2 Underwriting performance (continued)

The Shareholder Annuities result includes recurring sources of earnings, primarily the return on assets held to back capital requirements and the release of the margins in respect of credit risk, mortality and expenses. These decreased by 14% to £216m (2018: £251m), mainly due to lower excess assets, following the payment of demerger dividends to M&G plc by PAC and decreasing bond yields during the year. The incremental contribution from management actions, assumption changes, and other impacts for this business was lower than 2018. In 2019, £110m of adjusted operating profit before tax was generated from annuity asset trading, and a £126m positive impact from updating the longevity assumptions from CMI16 to CMI17. The Shareholder Annuities results also reflect a £24m fine by the FCA in respect of the thematic review of annuity past sales practices. This review is now largely complete. In 2018 the Group had a £166m insurance recovery in relation to the thematic review.

Corporate Centre included operating costs of £75m, in line with the planned build-out of the head office, and finance costs of £29m, relating to the subordinated debt transferred to M&G plc from Prudential plc in October 2019, immediately prior to demerger. These were partially offset by investment and other income of £27m.

Section A.5.2 provides a geographical segmentation of premiums and other income, and an analysis of premiums and benefits and claims by Solvency II line of business is provided in Section A.5.3.

Further information on the Group's performance is detailed in the 'Business and financial review' of the M&G plc 2019 Annual Report and Accounts.

A.3 Investment performance

A.3.1 Short-term fluctuations in investment returns

As explained in Section A.2 Underwriting Performance, 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.

(ii) Total fair value movements on assets backing the shareholder annuity capital, and the difference between the assumed long-term credit experience used to determine adjusted operating profit before tax for the Group’s shareholder annuity products and the actual credit experience over the year, specifically:

- The impact of credit risk provisioning for actual upgrades and downgrades during the year. This is calculated by reference to current interest rates.
- Credit experience variance relative to assumptions, reflecting the impact of defaults and other similar experience, such as asset exchanges arising from debt restructuring.

Figure 9: Short term fluctuations in investment returns for the year ended 31 December 2019 and 31 December 2018

All figures in £m	2019	2018
Short term fluctuations in investment returns	**298**	(3)

The 2019 short-term fluctuations in investment returns of £298m primarily reflects profit on the annuity business, partially offset by hedging losses, primarily relating to equity hedges in respect of future shareholder transfers from the With-Profits Fund. The 2018 result primarily reflected losses on the annuity business and broadly offsetting hedging profits.

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 £221m (2018: £205m).

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 stresses in order to ensure that risks arising from securitisation positions are reflected appropriately.

At 31 December 2019, £4,768m meet the definition of investments in securitisations.

A.4 Performance of other activities

This section describes other activities and the impact of non-operating items.

A.4.1 Other non-operating items

Other non-operating 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

The adjusting items of £53m for the year ended 31 December 2019 and £(508)m for the year ended 31 December 2018 resulted from the reinsurance of £12bn of annuities to Rothesay Life, which is considered to be non-recurring in nature and is therefore excluded from adjusted operating profit before tax.

A Business and performance (continued)

A.4 Performance of other activities (continued)

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 representing fundamental one-off Group-wide restructuring and transformation and are therefore excluded from adjusted operating profit before tax. Restructuring and other costs were £(198)m for the year ended 31 December 2019 (2018: £(109)m).

A.4.2 Discontinued operations

The overall IFRS profit/(loss) from discontinued operations in 2019 of £58m (2018: £(776)m) shown in the consolidated income statement includes the IFRS profit for the year from the discontinued operations and the profit or loss on disposal.

Profit or loss from discontinued operations relates to operations that were disposed of during the relevant year and reflect:

- 2019: The disposal of Prudential Vietnam Finance Company Limited to Shinhan Card co. Ltd. The resultant gain on disposal was £55m.
- 2018: The sale of Prudential Hong Kong Limited and Prudential General Insurance Hong Kong Limited to Prudential Corporation Asia Limited, an entity which is not within the Group. The resultant loss on disposal was £926m.

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. At 31 December 2019, the Group held investment properties with a fair value of £19,136m (2018: £18,003m) principally held in the With-Profits Fund.

In addition, a further £64m (2018: £33m) 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.

For the year ended 31 December 2019 rental income from investment property was £1,065m (2018: £927m). Direct operating expenses including repairs and maintenance arising from these properties for the year ended 31 December 2019 were £60m (2018: £56m).

The Group as a lessee

As at 31 December 2019, the Group had lease liabilities of £360m (2018: £316m) primarily related to operating leases over land and buildings utilised as office space, of which £49m (2018: £21m) 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 2019 is £61m.

In addition, the Group's portfolio of investment properties comprise both freehold and leasehold properties. The finance leases in respect of the leasehold properties are arrangements which grant very long leases with a large payment made upfront with minimal ground rent payable on an annual basis.

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 2019 was £1,123m (2018: £35m), representing £1,065m from continuing operations (2018: £811m) and £58m from discontinued operations (2018: £(776)m), 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 2019 and 31 December 2018

All figures in £m	For the year ended 31 December 2019	2018
Gross premiums earned	**11,074**	13,061
Outward reinsurance premiums[1]	**115**	(13,137)
Earned premiums, net of reinsurance	**11,189**	(76)
Investment return	**19,619**	(3,675)
Fee income	**1,286**	1,363
Other income	**35**	240
Total revenue, net of reinsurance from continuing operations	**32,129**	(2,148)
Benefits and claims	**(24,375)**	(7,322)
Outward reinsurers' share of benefit and claims	**431**	12,230
Movement in unallocated surplus of the With-Profits Fund	**(2,549)**	162
Benefits and claims and movement in unallocated surplus of the With-Profits Fund, net of reinsurance	**(26,493)**	5,070
Administrative and other expenses	**(2,876)**	(2,664)
Movements in third party interest in consolidated funds	**(1,005)**	291
Finance costs	**(28)**	(4)
Gain/(loss) on disposal of subsidiaries	**—**	—
Total charges, net of reinsurance from continuing operations	**(30,402)**	2,693
Share of profit from joint ventures and associates	**18**	52
Profit before tax from continuing operations	**1,745**	597
Tax (charge)/credit attributable to policyholders' returns	**(440)**	406
Profit before tax attributable to equity holders from continuing operations	**1,305**	1,003
Total tax (charge)/credit	**(680)**	214
Less tax charge/(credit) attributable to policyholders' returns	**440**	(406)
Tax charge attributable to equity holders	**(240)**	(192)
Profit after tax attributable to equity holders from continuing operations	**1,065**	811
Profit/(loss) after tax for the year attributable to equity holders from discontinued operations	**58**	(776)
Profit for the year	**1,123**	35

[1] Outward reinsurance premiums for the year ended 31 December 2018 include £12,149m in respect of reinsurance of the UK annuity portfolio. The associated increase in reinsurance assets is included in outward reinsurers' share of benefit and claims for the same year.

Other comprehensive income in 2019 totalled £(12)m expense net of tax (2018: £61m income). 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 Consolidated Statement of Comprehensive Income in the M&G plc 2019 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 2019 and 31 December 2018

All figures in £m	For the year ended 31 December 2019	2018
United Kingdom:		
Earned premiums, net of reinsurance	**10,723**	(999)
Other income	**743**	954
Total United Kingdom	**11,466**	(45)
Rest of the world:		
Earned premiums, net of reinsurance	**466**	923
Other income	**578**	649
Total Rest of the world	**1,044**	1,572
Total:		
Earned premiums, net of reinsurance	**11,189**	(76)
Other income	**1,321**	1,603
Total	**12,510**	1,527

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 in the Asset Management business is allocated based on client domicile.

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

The 2018 UK earned premiums, net of reinsurance was impacted by the one-off reinsurance of a significant proportion of the Group's annuity business to Rothesay Life plc, with a premium of £12,149m paid during that time.

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 methodologies.

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 2019

Figures in £m	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Accepted life insurance	Total 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 £11,752m shown in Figure 12 is £678m higher than that shown in the IFRS consolidated income statement in Figure 10 previously, as it includes premiums for investment contracts without discretionary participation features (as defined by IFRS 4 Insurance Contracts). Premium income for these contracts is not recognised in the IFRS consolidated income statement since these contracts are accounted for as deposits.

'Other life insurance' reinsurance premiums includes a reinsurance premium refund of £1,086m due to the recapture of the quota-share reinsurance arrangement with Prudential Hong Kong Limited described in A.1.4.2.

The majority of the Group's earned premiums relate to 'Insurance with profit participation' and principally relate to PruFund business. There was strong demand for the Group's PruFund multi-asset funds during 2019 as customers were attracted by its performance track record, the benefits of a smoothed return in managing market volatility and its ability to reduce customer investment risk.

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 2019

Figures in £m	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Accepted life insurance	Total 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 £(24,646)m differs from £(23,944)m shown in the IFRS consolidated income statement in Figure 10 previously, 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 £(25,355)m in 2019, with the majority reflecting the 'Insurance with profit participation' line of business.

This reflects benefit and claim payments of £(15,085)m and a further cost of £(10,270)m from an increase in technical provisions from a number of factors including, new business, market and non-market variances.

Reinsurers share of claims incurred and changes in technical provisions are reduced by £1,110m in relation to the Hong Kong recapture described in Section A.1.4.2.

A.5.3.3 Acquisition costs and other expenditure

Total administrative expenses from continuing operations were £2,876m (2018: £2,664m).

Administrative expenses included £205m (2018: £208m) related to acquisition costs and amortisation of deferred acquisition costs, £263m (2018: £321m) of commission expenses, and £221m (2018: £205m) of investment management expenses.

A further £(27)m of administrative and other expenses were incurred in relation to discontinued operations (Prudential Vietnam Finance Company Limited) sold during 2019 (2018: £(1,699)m primarily in respect of Prudential Hong Kong Limited and Prudential General Insurance Hong Kong Limited sold during 2018).

A more detailed break-up of the administrative expenses is provided in Note 6 of the M&G plc 2019 Annual Report and Accounts.

A.5.3.4 Investment return by asset class

Figure 14: Investment return for the year ended 31 December 2019 and 31 December 2018

Figures in £m	2019	2018
Income		
Investment properties	**1,065**	927
Loans	**248**	235
Equity securities and portfolio holdings in unit trusts	**2,119**	1,808
Debt securities	**2,497**	2,675
Other investments (including deposits)	**114**	64
Total income	**6,043**	5,709
Investment (depreciation) appreciation and other investment return		
Investment properties	**(859)**	144
Loans	**124**	(179)
Equity securities and portfolio holdings in unit trusts	**8,837**	(5,579)
Debt securities	**4,240**	(2,436)
Derivatives	**1,402**	(1,404)
Foreign exchange (losses)/gains	**(168)**	70
Total investment (depreciation) appreciation and other investment return	**13,576**	(9,384)
Total investment return from continuing operations	**19,619**	(3,675)

For the year ended 31 December 2019 rental income from investment property was £1,065m (2018: £927m). Direct operating expenses including repairs and maintenance arising from these properties for the year ended 31 December 2019 were £60m (2018: £56m).

Total investment returns from continuing operations increased to £19,619m (2018: £(3,675)m), due to strong equity and debt performance during the year, resulting in an appreciation in values for most asset classes. In contrast markets generally fell during 2018.

A Business and performance (continued)

A.5 Any other information (continued)

A.5.4 Post balance sheet events

With-Profits Fund bonus declaration

On 26 February 2020, the With-Profits Fund declared a distribution of £2bn for the policyholders comprising of the annual with-profits bonus declaration, and an extra distribution to eligible policyholders.

A.5.5 Implications of COVID-19

The Group continues to monitor the effects of the COVID-19 outbreak which has been declared as a pandemic by the World Health Organization. Along with causing widespread infection globally, COVID-19 has prompted many governments to impose measures to contain the outbreak, including restrictions of movement, closure of businesses and banning large gatherings or events. The outbreak has not only prompted widespread health concerns, but has caused a deterioration in global market conditions. The eventual outcome is highly uncertain and is largely dependent on how successful authorities are at containing and managing the outbreak.

In these difficult times, the Group has two clear priorities: the safety and well-being of colleagues and continuing to serve customers and clients to the best of our abilities. Detailed business continuity plans have been invoked to ensure that the Group can operate as usual in the face of the challenge posed by the spread of COVID-19. The vast majority of colleagues are now working from home with access to the full set of support systems and necessary equipment to do their jobs. The Group continues to actively manage the funds of customers and clients, and continues to service customers' policies, including making all annuity payments. The Group understands that these are volatile times and, where appropriate, has put in place enhanced investment reporting and updates to support customers and clients.

The volatility associated with COVID-19 also has an impact on the Group's solvency position. As noted previously at 31 December 2019 the Group's regulatory Solvency II coverage ratio was 143% and the Group's shareholder Solvency II coverage ratio was 176%. The With-Profits Fund's Solvency II coverage ratio was 267%. The deterioration in global market conditions since that date has resulted in a reduction to these ratios, consistent with that indicated by the sensitivities reported in Section C.7.2. However, it is noted that the simple sensitivities given in Section C.7.2 cannot capture the actual market movements perfectly given the complex nature of the financial markets and their impact on the variety of assets held.

In line with the Group's Risk Management Framework, a number of actions have been taken since 31 December 2019 or are in progress which are expected to, together with the expected underlying capital generated over the period, benefit the solvency position and ratios. The sensitivity analysis shown in Section C.7.2 is still applicable, after allowing for these actions.

Management will continue to manage the solvency position in line with the Group's risk appetite and limits, described in Section B.3.1.4, as events unfold.

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.

As noted in Section A, the Company is the UK listed holding company for the various legal entities that make up the Group, including the principal entities, PAC and M&G Group Limited.

The Company's 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 newly demerged Group and its stakeholders and fully comply with the UK Corporate Governance Code.

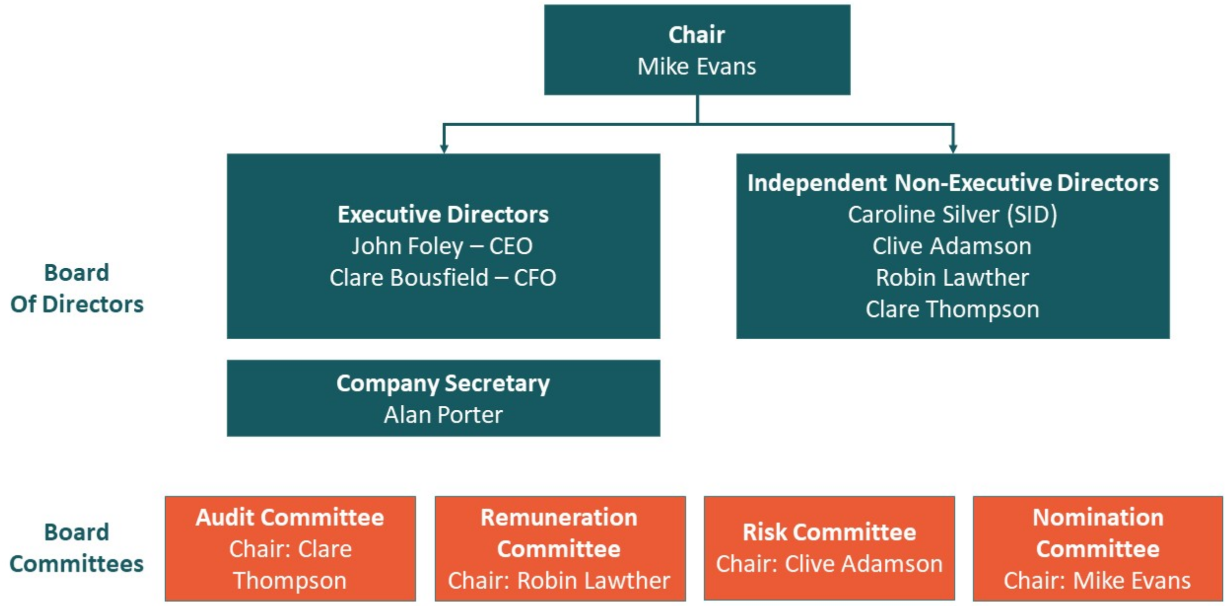
To that end, the Group has established a Group Governance Framework (GGF) which defines the Group's approach to governance and internal controls to ensure the business meets internal and external requirements and standards. The GGF includes information and policies to ensure a consistent approach to 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.

The GGF, including the Risk Management Framework (RMF), came into effect on the date of demerger. Prior to this, the Group complied with the Prudential plc Group Governance Manual (GGM). Compliance with the GGF, including the RMF, is attested to annually. The GGM was also attested to up to the point of demerger.

B.1.2 Board and Senior Management

The Company's Board members and committees are set out in Figure 15 below.

Figure 15: Board and Board Committees as at 31 December 2019



The Company's Board was established in 2019 in preparation for demerger, and comprises seven members:

- an Independent Non-Executive Chair, Mike Evans
- a Senior Independent Non-Executive Director (SID), Caroline Silver
- three Independent Non-Executive Directors (NEDs), Clive Adamson, Robin Lawther and Clare Thompson, who serve as independent Chairs of the Board Risk, Board Remuneration, and Group Audit Committees respectively
- two Executive Directors, John Foley, the Group's Chief Executive Officer (CEO) and Clare Bousfield, the Group's Chief Finance Officer (CFO).

Note: Caroline Silver, the Company's SID, is due to stand down at the Company's Annual General Meeting on 27 May 2020. Massimo Tosato was appointed as a NED on the Company's Board with effect from 1 April 2020. Massimo will also be a member of the Group Remuneration Committee and Chair of M&G Group Limited.

The Board considers all its NEDs to be independent and has complied with the requirements of the corporate governance code in relation to the balance of Executive Directors and NEDs on the Board and the Audit Committee. 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. The Board and its Committees operate under approved terms of reference which are reviewed at least annually. The Board also undertakes an annual review of its performance and effectiveness.

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, 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 (Group Executive Committee) as at 31 December 2019

Note: Keith Davies, Chief Risk and Resilience Officer (CRRO), resigned in February 2020. Julian Adams, Director of Public Policy and Regulation (DPPR), has taken interim accountability for the CRRO role whilst a recruitment process is conducted.

Material changes to the system of governance

This is the Group's first SFCR and, as such, this report summarises the new governance arrangements that have been put in place during the year in readiness for demerger. Such arrangements, as set out in the GGF, remain subject to on-going review post demerger as transformation continues and to ensure compliance with best practice.

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

Board

The Board responsibilities are detailed in Figure 17 below:

Figure 17: Board 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. – Setting the tone for and monitoring culture across the Group. – Approving the annual Group financial budgets. – 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. – Material expenditure.
Group financial reporting and controls	– Approving the consolidated Annual Report and Accounts. – 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 Non-Executive Directors 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.

Board Committees

The Board has established an Audit Committee, a Nomination Committee, a Remuneration Committee and a Risk Committee. These committees form a key element of the GGF, providing effective and independent oversight of the Group's activities 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. 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 2019

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 and internal control systems. – Reviewing the financial statements of the Group and Company. – Monitoring and reviewing internal audit activities, 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 to the regulator.
Remuneration	Chair: Robin Lawther 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 for the Chair, the Executive Directors, members of senior management, individuals identified as Solvency II staff[1] and material risk takers and others.
Nomination	Chair: Mike Evans 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. – 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 Group's emerging risks, risk strategy, risk policies, risk appetite and current risk exposures. – Overseeing the implementation and maintenance of the overall risk management framework and systems. – Overseeing the Group's procedures for detecting fraud, preventing bribery and non-compliance. – Reviewing the Group's risk assessment processes and capability to identify and manage new risks.

[1] The PRA has defined these as Board members, Executive Committee members, Solvency II Key Function Holders, Senior Manager Functions, 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. In addition, the Actuarial function reports annually to the Audit Committee on its resources and the activities undertaken over the year. 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-B.6.

B.1.4 Board Remuneration

Remuneration Committee and strategy

The Board has established a Remuneration Committee (RemCo) to ensure the alignment of the Remuneration Policy and structures across the Group with the Group's business strategy, objectives, values, risk framework, risk appetites and long-term interests. The RemCo's principal responsibilities are summarised in Figure 18 above. The members of the RemCo are all Independent NEDs.

The Group's remuneration strategy and policy was built on the following core principles:

- Simplicity and transparency, with clear links between the Group's objectives, performance and remuneration outcomes.
- Alignment of the long-term interests of the Group and shareholders through payment in and the requirement to hold company shares.
- Focus on risk management, conduct and positive customer outcomes.
- Promote a respectful, open and diverse culture which improves each year.

The Group's Remuneration Policy was implemented at the point of demerger. Previously, the Group complied with the Prudential plc Remuneration Policy. The Group's Remuneration Policy is subject to a binding vote by shareholders at least every three years and will be approved at the 2020 Annual General Meeting. The key principles behind the design of the Remuneration Policy were as follows:

- Remuneration packages 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 our strategic objectives.
- Simple and transparent incentives that provide clear alignment of objectives and performance with the Group's financial and non-financial strategic priorities.
- 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 Group, 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.

B System of governance (continued)

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

- Strong alignment with the long-term interests of the Group through a significant proportion of executive packages being delivered in shares for three to five years and a shareholding requirement policy.
- Key focus on positive customer outcomes and quality of customer engagement.
- Strong alignment with the Group's ambitious diversity targets and objectives to maintain a culture that provides equality of opportunity for all current and prospective employees.
- Promoting a positive culture for employees and customers with demonstrable alignment to remuneration outcomes where the Group's standards for conduct and behaviours are not met, including a robust individual performance assessment process and malus and clawback policy.

Remuneration architecture

Executive remuneration is aligned to the Group's purpose and values and clearly linked to the successful delivery of the Group's long-term strategy.

Both fixed and variable remuneration is assessed against market data and internal benchmarks on an annual basis and balanced so that the fixed component represents a sufficiently high proportion of the total remuneration. This avoids employees being overly dependent on the variable components and helps to mitigate unintended consequences and inappropriate behaviours to the detriment of customer outcome.

Variable remuneration available to employees includes short-term incentives (i.e. annual bonus, quarterly sales incentives for sales staff) and long-term incentive plan (LTIP) awards.

Annual bonus measures include various combinations of company specific financial and/or strategic targets, Group financial targets, functional targets and individual performance reflecting the level, nature and scope of an individual's role and the practice in the market in which the Group operates. This allows the Group to operate a fully flexible bonus policy, including the possibility of not paying an annual bonus, based on financial and non-financial criteria. All awards granted over shares are subject to malus during the vesting period.

The Group does not operate any supplementary pension or early retirement schemes. 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, effective management of any potential conflicts of interest and reflect the need to link remuneration decisions with the Group's risk appetite.

The RemCo consults and receives advice from the Risk Committee and Audit Committee, the control functions and the subsidiary Boards, when setting the remuneration strategy and framework.

The CRRO is actively involved in ensuring that remuneration across the Group reflects the extent to which decisions were made within the organisation's risk appetite. The CRRO provides a report to the Committee, at least once a year, which:

- Provides context on the risk environment during the period.
- Assesses risk performance and the overall effectiveness of the control environment.
- Identifies any significant risk issues that should be considered by the Committee.
- Assesses the appropriateness of the remuneration structure.
- Assesses the degree to which performance plans are appropriate in the context of risk appetite, including whether a risk modifier should be considered by the Committee.

B.1.5 Material transactions with directors and shareholders

Transactions with directors

In addition to remuneration for their role on the Board, executive officers and directors of the Company may, from time to time, purchase insurance, asset management or annuity products marketed by companies within the Group 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 2019, no such transactions have been disclosed.

Transactions with shareholders

Transactions with shareholders are described in Section A 1.4.1.

Compensation of key management personnel

For the year ended 31 December 2019 the members of the Executive Committee, which was formed in 2019, 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 for the year ended 31 December 2019.

B System of governance (continued)

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

Figure 19: Compensation of key management personnel for the year ended 31 December 2019

	£m
Salaries and short-term benefits	**11.1**
Post-employment benefits	**0.6**
Share-based payments	**5.9**
Total	**17.6**

Further information on the compensation of key management personnel is set out in Note 37.3 of the M&G plc 2019 Annual Report and Accounts.

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.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 System of governance (continued)

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. Material risks will be retained selectively where there is value to do so, and where it is consistent with the Group's risk appetite and philosophy towards risk-taking. The Board has ultimate responsibility for risk across the Group.

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.

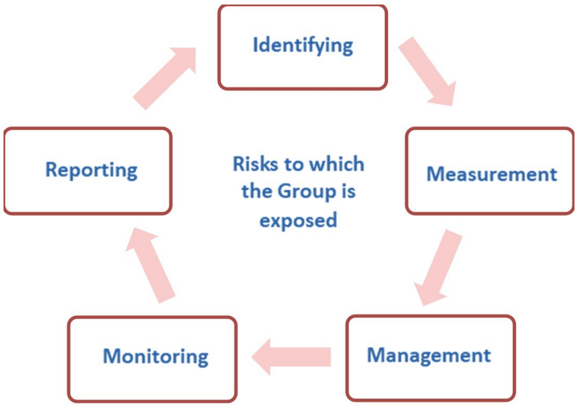


Figure 20: Risk Management Cycle

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 by emphasising and embedding the importance of balancing risk with profitability and growth in decision-making and providing fair customer outcomes, whilst also ensuring compliance with regulatory requirements and internal policies.

To help embed this culture, the Board sets and approves:

- Risk appetite and associated risk mandates and limits, determining how these are then delegated or cascaded to the Group's companies and/or individuals to execute.
- The RMF and supporting risk policies.
- Assignment of responsibilities for controls and reporting.

The Group's performance management and reward structure balances risk with profitability and growth, in the performance evaluation of key individuals, including senior management and those directly responsible for risk management.

B.3.1.2 Risk committees

The Group's risk governance comprises the organisational structures, reporting relationships, delegations of authority, roles and responsibilities, and risk policies that have been established to influence and oversee 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, and 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 18 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), which is a sub-committee of the Executive Committee, has the following objectives:

- To provide oversight on risk and compliance matters across the Group.
- To support the Executive Committees of the Group and its entities in meeting their responsibilities and to assist the CRRO in in relation to risk management and compliance matters.
- To assist the Director of Public Policy and Regulation (DPPR) in the oversight of their regulatory compliance responsibilities.
- To assist the Chief Risk Officers (CROs) and Chief Compliance Officers (CCOs) of the M&G plc regulated entities in relation to risk management and compliance matters.
- To oversee the approach to and direction of risk management including regulatory compliance across the Group.

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

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

B System of governance (continued)

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

Figure 21: Three Lines of Defence

Line of Defence:	1LOD	2LOD	3LOD
Business Area:	Business	Risk and Compliance	Internal Audit
Responsibility:	Risk taking and management	Risk oversight and challenge	Independent assurance
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 Framework • Stress/scenario setting and oversight • Regulatory liaison • Advice and guidance • Risk and Compliance monitoring and assurance activities • Risk and Compliance reporting	• Independent assurance of 1LOD and 2LOD • Independent 3LOD thematic reviews and risk and controls assessment

Business areas take and manage risks within the limits proposed by the Risk function and approved by the Board.

The Risk and Compliance functions are structurally independent of the 1st Line, providing risk oversight and challenge and compliance guidance and monitoring.

Internal Audit is empowered by the Audit Committee to audit the design and effectiveness of internal controls, including the risk management system.

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.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 financial 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 and limits.

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. An imminent or actual breach of a limit is escalated to the Risk function within 24 hours of identification and, where relevant, to the CRRO within 3 days of notification.

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.

(i) 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.

(ii) 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, including reputational risk 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.

(iii) 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).

B System of governance (continued)

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

(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 Risk and Resilience'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 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 Executive Committee and Risk Committee to enable oversight of such risks on an ongoing basis.
- Own Risk and Solvency Assessment (ORSA) reporting, further details of which are contained in Section B.3.4.

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

B.3.2 The Risk function

Within the 3LOD model, the Risk function (known internally as 'Risk and Resilience') is part of the 2nd LOD 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-taking, this is 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 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, such as the SFCR.
- Performing the ORSA, risk assessing the business plan, undertaking stress and scenario testing including Reverse Stress Testing, and informing the key areas of risk based decision making.
- Developing and implementing an enhanced resilience framework (covering financial, organisational and operational resilience) to enable the Group to respond to and recover from changing internal or external circumstances, or during and after crises (whether unforeseen or not).
- Considering material findings from regulatory reviews and interactions with regulators which impact on risk governance or risk management processes.

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 (Pillar 1: SCR) and management's own assessment of economic capital (Pillar II: Ecap) 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. adjustments, enhancements), these are implemented in a consistent and controlled manner with consideration of any potential implications.
- Model limitations, assumptions and judgements: to note the circumstances under which the Internal Model does not work effectively, including where assumptions and judgements are made, making sure these are reasonable and understood by those who may rely upon any model output.
- 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 Internal Model Validation (IMV) team within the Risk function provides independent assurance that the Internal Model remains fit for purpose and compliant with all applicable rules through a risk-based programme of assurance activity, which also acts as an incentive for the model's ongoing improvement.

B System of governance (continued)

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

In advance of the demerger, the Internal Model governance framework was reviewed to ensure it remains appropriate for the Group. This formed part of the 2019 Major Model Change application which was approved by the PRA in October 2019 converting the existing approved Prudential plc Internal Capital Model to a model to calculate the new Group's consolidated Solvency Capital Requirement.

The 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 model governance framework is being rolled out to a wider universe of key models and user developed applications (UDAs) through the implementation of a new Model and UDA 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 overseeing the use and independent validation of the Internal Model. The TAC is responsible for reviewing and approving the methodology, and assumptions for the Internal Model, including any changes to the model. The IMGOC and TAC report to the ERC, which is chaired by the CRRO. The CRRO reports to the Board as necessary on matters relating to the Internal Model.

During 2019, as part of demerger, the remit of the IMGOC and TAC was broadened to include Group-level governance responsibilities including, for example, the validation of the consolidated Group SCR.

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. Circumstances which could trigger an ad hoc ORSA are set out in the ORSA standards and include: a significant change in market or liquidity conditions; a significant operational incident; a new material risk exposure; and a significant business decision (e.g. change in business strategy, sale or acquisition of a business). 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 committees, including the Executive Committee and Risk Committee. 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 tests. 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	Steer and challenge throughout the ORSA process; approve the ORSA report
Risk Committee	Review of the ORSA and recommendation to the Board for approval
ERC	Review of the ORSA 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 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.

B System of governance (continued)

B.4 Internal control system (continued)

The Group's system of control largely follows the approach previously adopted under Prudential plc's GGM. However, a new integrated control framework, supported by an industry-leading Governance, Internal Audit, Risk and Compliance software, is in development with the aim of implementing a single, consistent enterprise-wide control framework with enhanced analytics.

The Board has delegated authority to the Audit Committee to review the framework and effectiveness of the systems of internal control. The Audit Committee is supported in this responsibility by the assurance work carried out by Internal Audit.

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. 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 and Conduct Risk Policy, which set out the principles and minimum requirements by which the Group conducts its business, including the management of any conflicts of interest. Compliance policies were updated as part of the creation of the GGF and RMF for demerger and are reviewed and attested to annually.

The policies support the implementation of the Group's risk management principles 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.
- 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.

The policies include requirements to:

- Treat customers fairly, openly and honestly.
- Provide and promote a range of products and services that meet customer needs, are easy to understand and that deliver real value.
- Maintain honest, constructive and open relationships with governments and regulators to ensure mutual trust, respect and understanding.
- Comply with all applicable laws, rules and regulations in every country in which the Group operates.
- Accept responsibility in all its activities for compliance with the spirit as well as the letter of all applicable laws, rules and regulations.
- Act with due skill, care and diligence.
- Ensure that an effective compliance culture thrives and operates at all levels of the business.
- Maintain appropriate means of identifying, assessing, managing and reporting regulatory compliance risks on an aggregated basis across the Group.

B.5 Internal Audit function

Internal Audit operates as the 3rd Line of Defence in the 3LOD model, providing independent 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 organisation.

Internal Audit activity is not restricted in scope in any way and 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. All employees are requested to assist Internal Audit in fulfilling its roles and 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 revised guidance, 'Effective Internal Audit in the Financial Services Sector' (CIIA Code).
- The International Association of Insurance Supervisors (IAIS) Core Principles and the European Confederation of Institutes of Internal Audit (ECIIA), effective in 2019, prescribing the principal requirements for Internal Audit functions in Insurance Companies under the Solvency II framework.
- 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 maintains independence and objectivity in the discharge of responsibilities and appropriate reporting lines are in place to support this goal:

- 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 direct access to the Chair of the Audit Committee.
- It is the responsibility of the CAO to deliver the mandate of Internal Audit, supported by the Audit Directors for M&G Investments and PAC. The CAO has a functional reporting line to the Audit Committee and an administrative reporting line to the Group CEO. The CAO 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.
- 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 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 business area Audit Directors report to the respective Audit Committee Chair and the CAO, as functional head. The CAO will consider the independence, objectivity and tenure of the Audit Directors when performing their appraisals.
- The Head of Operations and Quality Assurance, who is independent of the audit 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 Audit Committee. 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 Actuarial 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 Head of Operations and Quality Assurance, 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 new 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 Risk and Resilience, 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 increase its outsourcing footprint, using outsourcing and third party solution providers to allow focus on its core business strengths, reduce costs and manage its delivery risks. The Group recognises that the use of outsourcing and third party solution providers can impact its risk profile, for example, a service may fail, resulting in significant business interruptions, 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, India and the USA, 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.

During 2019, the Group continued to deepen its strategic outsourcing relationship with Diligenta Limited for the provision of legacy policy administration services and with Tata Consultancy Services for IT hosting and infrastructure management services, whilst also entering into a new agreement with HSBC for the provision of fund accounting, custody and regulatory reporting for the PAC life funds. As a consequence of the demerger, certain key services, including those relating to data centres, are also now provided via Prudential plc to the Group under the terms of a Transitional Services Agreement.

Material intra-group outsourcing arrangements for the year ended 31 December 2019 primarily comprise fund/asset management provided by M&G Investments and treasury services provided by PruCap, primarily to the Group's insurance undertakings. A range of services (including finance and capital management, compliance, risk, HR, actuarial and internal audit 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 new Third Party Risk Management Policy is being implemented to strengthen the framework for managing third party risk across the Group. This addresses third party risks through a risk management lifecycle framework, 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.

The Third Party Risk Management Policy provides definitions of types of third party arrangement (e.g. supplier, outsourcer, intra-group, etc.) and materiality, along with minimum controls to manage them.

B.8 Any other information

The Board confirms that there is an ongoing set of processes for identifying, evaluating and managing the significant risks faced by the Group, which has been in place throughout 2019 and up to the date of this report.

The Board has considered the outcome of the risk management and internal control effectiveness review for 2019 which covered all material controls, including financial, operational and compliance controls. The review identified a number of actions to further enhance the risk management system and strengthen the overall control environment to ensure their continuing effectiveness, with a particular focus on the Group’s information technology controls and supplier risk management, including the robustness of the end to end controls following the outsourcing of life fund accounting. The Audit Committees at the Group and subsidiary level collectively monitor outstanding actions in these and other areas, and ensure sufficient resource and focus is in place to resolve such actions within a reasonable time-frame.

C Risk profile (Unaudited)

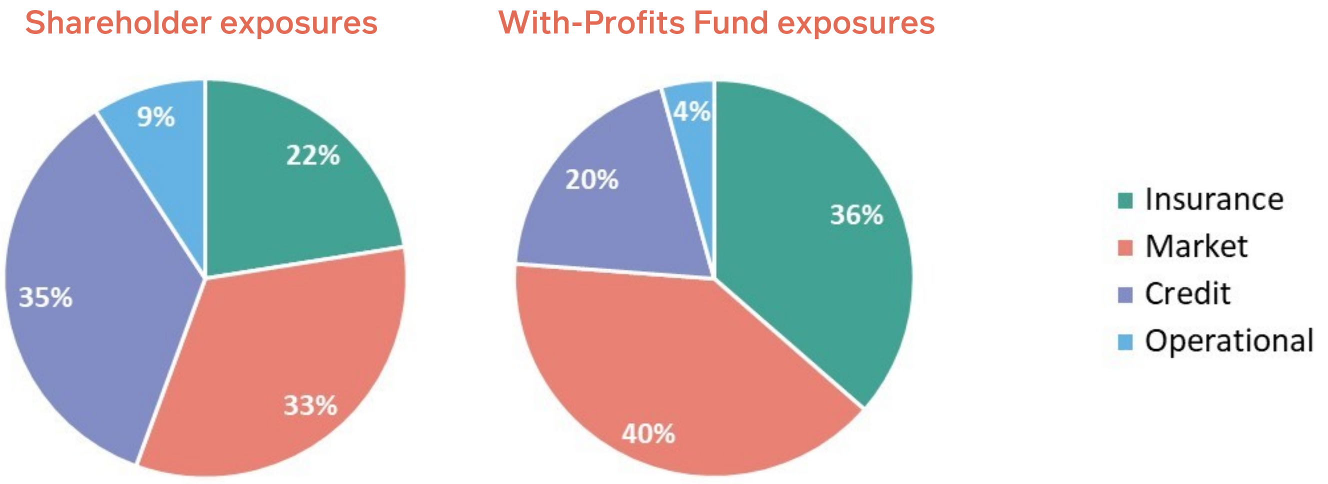
Under the Solvency II regime, companies are required to calculate capital requirements in line with Solvency II regulations. Companies are also required to form their own internal assessment of the capital needed to ensure that they can meet liabilities as they fall due, allowing for the risks that they retain ('ECAP', 'Pillar II'). 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 ring-fenced With-Profits Fund's exposures.

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 Solvency II capital requirements, making up over 90% of the Group's SCR. M&G Investments and other undertakings such as the Group's Treasury function (PruCap) 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 Group's shareholder and with-profits undiversified SCR by risk category as at 31 December 2019. Detailed information on the SCR allocation is set out in Section E.2.2

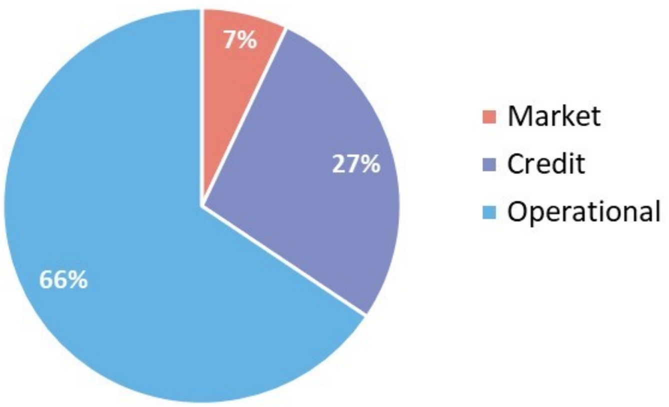
Figure 23: Undiversified SCR as at 31 December 2019



The charts above show that the Group's shareholder business has a proportionately greater exposure to credit risk, primarily arising from the holdings in fixed income investments held to back the shareholder annuity business. The With-Profits Fund has a higher proportionate exposure to market risk arising from the investments held in the With-Profits Fund including a significant allocation to equities and property.

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 c8% of the consolidated Group shareholder SCR, their risks are not captured in the above chart. However, M&G Investments' 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 2019



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)

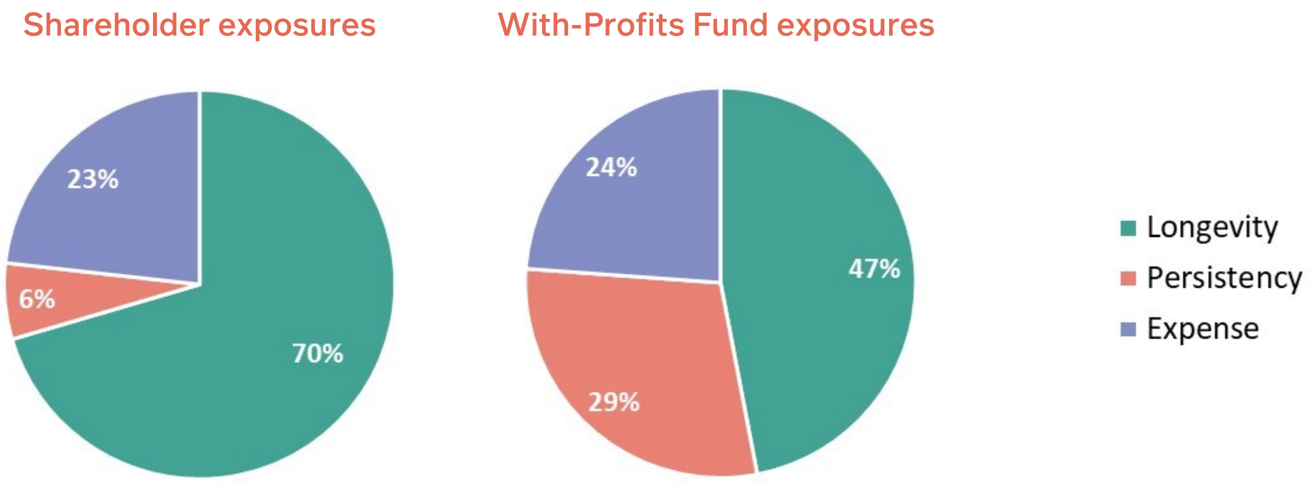
C Risk profile (continued)

C.1 Underwriting risk

C.1.1 Risk exposure

The Group's exposure to underwriting risk primarily arises from longevity, expense and persistency risk as a result of its business operations, of which longevity risk is the most significant. The charts below set out the Group's exposures (as a % of the undiversified SCR excluding sectoral entities) to each of these risks. Mortality and morbidity risk account for an immaterial proportion of the SCR and so has been grouped under the longevity risk category.

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



Longevity

Longevity risk i.e. the risk of unexpected changes in the life expectancy (longevity) of policyholders, arises primarily in relation to PAC's large 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.£12.4bn (as at 31 December 2019).

The With-Profits Fund's exposure to longevity risk primarily arises from non-profit annuity business and with-profits (deferred and immediate) annuity business. The longevity exposure increased by c.£1.1bn during 2019 due to the recapture of business previously reinsured to Prudential Hong Kong Limited.

Persistency risk

The Group is also exposed to persistency risk on its insurance business (i.e. the risk of unexpected changes in policyholder rates of policy exit). The financial significance of this risk is expected to gradually increase in future years, as a result of the planned growth in PruFund sales, 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 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.

Expense risk

The Group is exposed to expense risk, i.e. the risk that expenses (including future expense inflation) could be higher than anticipated. However, this risk is expected to decrease as base costs are reduced as a result of the significant transformation programme being undertaken by the business (see Section C.6.3).

For the With-Profits Fund, material volumes of non-guaranteed PruFund new business are anticipated in future years under the business plan. Expense charges are fixed for this business, meaning that expense risk for this line of business may become increasingly significant in the future. However, for the With-Profits Fund as a whole, expense risk is expected to remain broadly unchanged as the increase in expense risk from PruFund business is offset by the run-off of the in-force book.

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

M&G Investments is also exposed to expense risk. Again, this risk is expected to decrease as costs are reduced through transformation.

C Risk profile (continued)

C.1 Underwriting risk (continued)

C.1.2 Risk mitigation

Longevity risk is predominantly managed through:

- detailed assessments of actual mortality experience which are used to determine best estimate assumptions
- longevity research
- longevity risk reinsurance arrangements assessed against principles and guidance provided in 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. Expense risk in particular is a key management focus, driven by the ongoing transformation programme.

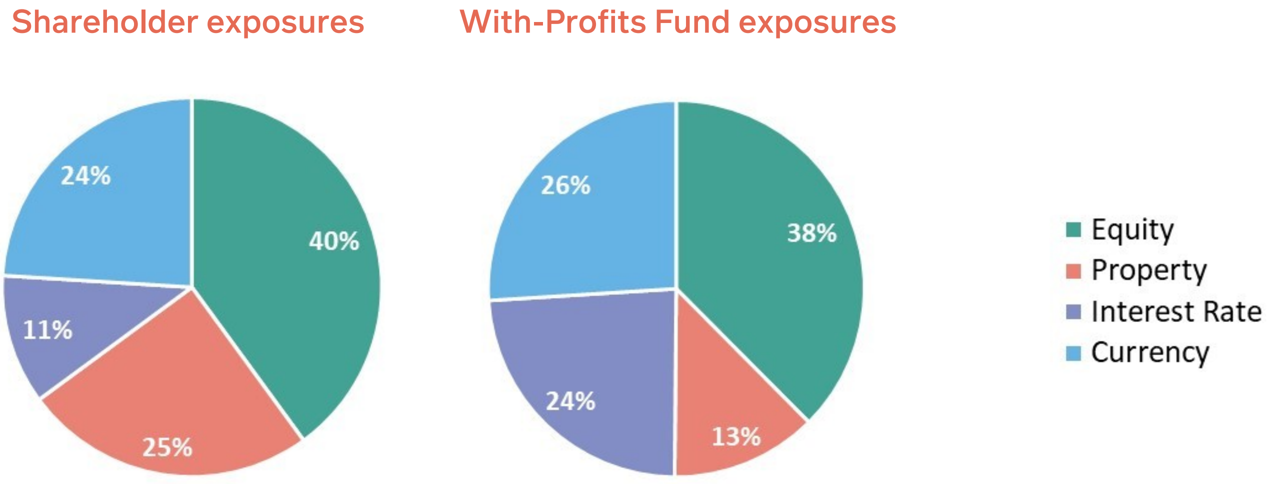
Performing a number of longevity, persistency and expense stress tests also supports the Group's understanding of the key drivers of its underwriting risk exposure.

C.2 Market risk

C.2.1 Risk exposure

The Group is exposed to equity, property, currency and interest rate risk as a result of its business operations, of which equity risk is the most significant. The charts below set out the Group's exposures (as a % of the undiversified SCR excluding sectoral entities) to each of these risks.

Figure 26: Undiversified Market Risk SCR at 31 December 2019



For the Group's shareholder business, the key sources of market risk are equity, property, interest rate and currency risks arising in respect of shareholder transfers from the With-Profits Fund, receipt of charges on unit linked contracts, fee income on third party customer funds, and currency movements impacting fee income denominated in foreign currencies. Additional market risk exposure includes interest rate risk and property risk on the non-profit annuity book, the 'no negative equity' guarantee on lifetime mortgage loans and the risk of additional deficit funding contributions to the Group's defined benefit staff pension schemes as the Group is responsible for ensuring such schemes (which are closed to new members) remain adequately funded to meet their expected future liabilities.

The With-Profits Fund is also exposed to market risks as 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.

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. M&G Investments does however have some limited direct exposure to market risk through its seed investments, the retail book of units and currency positions as a result of overseas operations.

C.2.2 Risk mitigation

The Group operates a robust 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 solvency coverage relative 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.
- Regular stress and scenario testing to monitor and assess market risk exposures.
- Limits set out in Investment Management Agreements (IMAs) and Fund guidelines, which are subject to periodic review.

C Risk profile (continued)

C.3 Credit and counterparty risk

C.3.1 Risk exposure

The Group is exposed to credit risk relating to the substantial volumes of corporate bonds and other fixed income investments held in the asset portfolios backing PAC's shareholder-backed non-profit annuity business, on surplus funds held in the shareholder fund and also in relation to the shareholder transfers from the With-Profits Fund.

There are also substantial amounts 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 pay out to meet its obligations to policyholders), but which 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, as a corporate entity within the wider Group, is driven by bank cash deposits, trade receivables and seed investments.

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 banks and, for PAC, the use of reinsurance for risk reduction. Rothesay Life in particular is a significant counterparty for PAC, reinsuring £12.4bn (as at 31 December 2019) of annuity liabilities. An application to complete a Part VII transfer of these liabilities to Rothesay Life, which would substantially eliminate this counterparty exposure, has been rejected by the High Court. Rothesay Life and PAC have lodged an appeal against this decision, which is expected to be heard in 2020.

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.

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 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.
- Regular stress and scenario testing, with particular focus on the potential impact of higher than expected downgrades and credit spread widening.

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's main exposure arises from treasury liquidity risk due to:

- 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. Fund liquidity risk arises for such customers and clients from a mismatch in liquidity of the underlying assets and the frequency of liability requirements of the fund. Whilst not directly exposed to fund liquidity risk, there may be adverse impacts on customer retention (with resulting impact on fee income) and reputation.

On 4 December 2019, M&G Investments announced the suspension of its £2.5bn M&G Property Portfolio Fund. In the aftermath of this, UK property funds suffered their worst week of redemptions since the 2016 EU referendum. Fund liquidity continues to attract internal and external (including regulatory) focus for the Group and the industry more generally.

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. The Group has committed facilities with 19 banks enabling it to issue Commercial Paper to provide financial flexibility and a source of operational funding, if required.

C Risk profile (continued)

C.4 Liquidity risk (continued)

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. Compliance with the policies is the subject of an annual attestation process.
- A Liquidity Risk Management Plan.
- A Liquidity Contingency Plan, which sets out the procedures to be followed if a material liquidity risk event arises or is expected to arise.
- Quarterly 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. For the Group's subsidiary, PPL, this clause was utilised on its UK property funds in 2019 which were linked to the M&G Property Portfolio Fund, and impacted by its suspension.

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, in accordance with Article 260 of the Delegated Regulation. 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.

At 31 December 2019, Group EPIFP from QRT S23 was £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

£m	31 December 2019
PAC	**76**
PIA	**63**
PPL	**—**
Total Group	**140**

C.5 Operational risk

C.5.1 Risk exposure

Operational risk is the risk of financial and non-financial impacts resulting from inadequate or failed internal processes, or from personnel and systems. Operational failures can also give rise to financial risk exposures, for example through process failures in the management of market and credit risk. Overall, the Group has no appetite for material impacts (direct or indirect), including non-financial impacts suffered as a result of failing to develop, implement and monitor appropriate controls to manage such operational risks.

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 operational risk framework and system that delivers processes and tools to identify, assess, manage and report operational risk exposures.
- Establishment of additional policies and standards which cover specific operational risk exposures, such as third party risk and technology risk.
- Internal and external incident lessons learned reviews.
- A comprehensive suite of operational risk management information and key risk indicators, including trend monitoring.
- Corporate insurance programmes to limit the financial impact of operational risks.
- A scenario analysis process for determining operational risk capital requirements, which focuses on extreme, yet plausible events.
- Regular testing of elements of the business continuity and disaster recovery plans.
- Implementation of a new integrated control framework, a new product approval process and change management standards.
- Development and implementation of an enhanced operational resilience framework. 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
  - operating on the presumption that operational disruptions will occur, it is not 'if' but 'when'.

C Risk profile (continued)

C.5 Operational risk (continued)

C.5.2.1 Implications of COVID-19

Operational impacts from the COVID-19 pandemic continue to be pro-actively managed. Business continuity and resilience plans have been implemented to ensure the safety and well-being of colleagues and continuity of services to customers and clients. Whilst no new 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
- Internal controls
- Staff morale and well-being

C.6 Other material risks

C.6.1 Business environment, environment and market forces risk

The key dimensions to business environment risk which could adversely impact the Group's ability to deliver its business strategy and have implications for the profitability of its business model, are economic, political, competition and Environmental, Social and Governance (ESG).

- Economic factors: Changes in global economic conditions can impact the Group directly; for example by leading to poor returns on investments and increasing the cost of guarantees the Group has made to customers. They can also have an indirect impact. For example, economic pressures could lead to decreased savings, reducing the propensity for people to buy the Group's products. In particular, in addition to the obvious human cost, consumers, businesses and governments are already counting the economic cost of the COVID-19 outbreak, necessitating governments across the world to intervene with rescue and stimulus packages at unprecedented levels. The virus could not only impact global growth in the short term, but could lead to a sustained period of economic stagnation. Business continuity and resilience plans have been implemented to mitigate the impacts from the pandemic.

  Global economic conditions may also impact on regulatory risk for the Group by changing prevailing political attitudes towards regulation.
- Political: In contrast to the parliamentary stasis in 2019, the result of the recent General Election provides the government with a strong mandate to progress its agenda, including the UK's withdrawal from the EU. However, economic uncertainty will persist whilst the outcome of the UK/EU negotiations, notably the agreement or otherwise to a trade deal, remains unclear. There is a Brexit programme in place to identify and mitigate risks to the Group, including in the event of a no-deal outcome. More generally, global political risks look set to remain heightened, affecting consumer and market confidence, and potentially increasing market volatility and the risk of a downturn in economic activity.
- Competition: The markets in which the Group operates are highly competitive with several factors affecting the Group's ability to sell its products and maintain its profitability. Key considerations include; price and yields offered; financial strength and ratings; investment performance and historic bonus levels; brand strength and name recognition; developing demographic trends and customers' needs and expectations in terms of product delivery and service. Competition is expected to intensify in response to consumer demand, technological advances, the need for economies of scale and new market entrants. In particular, the emergence of advanced technologies is providing an impetus for companies to rethink their existing operating models and how they interact with their customers.
- ESG: Given the long term nature of the Group's investment horizons, it is potentially more exposed to the long term implications of climate change risks. A range of stress tests have been developed to assess the potential impacts of climate change on the business and help inform appropriate mitigating actions. In the short term, the Group's stakeholders increasingly expect responsible investment principles to be adopted to demonstrate that ESG considerations (including climate change) are effectively integrated into investment decisions, fiduciary and stewardship duties, and corporate values. The failure to have an appropriate ESG position could impact the Group's reputation and attractiveness to customers.

The annual strategic planning process, which is subject to oversight by the Risk function and Board, considers the potential impact of the wider business environment and, throughout the year, there is regular monitoring of and reporting on the delivery of the plan.

C.6.2 Investment performance and risk

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

For investment risk, the Group has no appetite for fund risk profiles to be inconsistent on a persistent basis with the expectations communicated to customers.

For investment performance risk, while accepting that in active management there inevitably will be periods of where performance varies, the Group has no appetite for a failure to deliver against the investment performance objective set for any of its funds over the investment horizon indicated to customers.

Investment performance and risk is not modelled in the Solvency II Internal Model, but is governed by the Group's Savings and Investment Risk Policy and a 3LOD model with clear responsibility and oversight of investment performance and risk in the respective LOD. This includes an Independent Risk and Performance area, reporting directly to the CRRO, and established oversight and escalation forums.

Funds are managed in line with prescribed mandates, with breaches of mandate and temporary exemption requests monitored by relevant committees, notably the Executive Investment Committee. The investment performance of key funds is regularly monitored and reported to senior management, and Executive and Board Committees.

Further information on the management of investment performance risk and investment risk is set out in Section C.7.4.

C Risk profile (continued)

C.6 Other material risks (continued)

C.6.3 Strategic risk/ transformation execution

Strategic risk is the risk of loss to the business or failure to maximise opportunity resulting from the ineffective development or implementation of business strategy, including failing to implement appropriate customer propositions. Whilst the demerger from Prudential plc presents a significant opportunity to leverage scale, financial strength and complementary product and distribution capabilities, it also carries strategic risk.

In particular there are a number of significant transformation programmes underway to deliver the strategy for growth, improve customer outcomes and strengthen resilience and the control environment. A failure to deliver these programmes within timelines, scope and cost may have a material impact on the Group's business model and ability to deliver the strategy.

Strong project governance is in place for all aspects of the transformation programme (including oversight by the Risk function) with reporting and escalation to management and the Board. There is a suite of metrics to monitor and report the delivery, cost and benefits of the transformation programmes, and regular deep dive assessments of the programmes, individually and collectively.

C.6.4 Technology and security risk including data privacy

There is a high dependency on technology to operate effectively and to meet the growing digital needs of the Group and its customers. The sustained loss or unavailability of key hardware/software, inadequate information security arrangements and inappropriate deployment of digital solutions could result in an inability to meet requirements, leading to unfair customer outcomes, increased costs and/or regulator and reputational damage.

Cyber related risks, including attempts by external parties to disrupt, inappropriately access and obtain customer data and funds will remain an ongoing threat. As the Group increases its digital presence and profile, this risk will continue to be significant.

Significant work and investment are ongoing to maintain, test and upgrade the Group's IT environment, processes and controls to maintain IT resilience and the Group's ability to prevent, detect and recover from security incidents.

Data privacy is also a key area of risk focus and a potential source of customer, regulatory and reputational risk. A range of activities are underway and planned to align, enhance and fully embed data privacy across the new Group in all of the jurisdictions in which it operates.

C.6.5 Proposition concentration

The key savings proposition, PruFund, accounts for a high proportion of Group total sales. This makes PruFund's continuing success important to the Group's business model and plans. Further, the Group is also heavily reliant on the intermediated channel for savings solutions sales.

The Group has launched a number of new products, including the PruFolio range of funds, to broaden the offering to customers and reduce concentration to PruFund. Work is ongoing to develop new propositions and expand into international markets to further reduce PruFund dependency over time, and to deliver a more diversified distribution strategy through digital transformation. However, this will take time to significantly change the proposition and distribution mix.

M&G Investments is exposed to revenue concentration by fund and fund manager, in particular in relation to the Optimal Income Fund. Initiatives to diversify and expand the fund offering, by geography, asset class and distribution channel, are ongoing. Risk appetite concentration limits are in place and exposures relative to such limits are reported to the Board and Executive committees.

C.6.6 People risk

The Group's success is dependent on, among other things, the ability to attract, retain and develop highly qualified professional people with the right mix of skills to support the strategy. As the Group continues to implement its transformation programme and deliver its target cost reductions, people risk is heightened in a number of areas including industrial relations, business stretch (especially key subject matter experts), employee well-being and morale and pay and benefit practices. Behavioural risk (including regulatory conduct risk) also presents a challenge with the risk of employees deviating from expected behaviours requiring close oversight and management.

Competition for top talent is expected to remain intense, and the Group must continue to focus on the identification and retention of key individuals, and the succession planning for those individuals, within the context of the skills and experience the business requires to be successful in the future. Investment in leadership and manager development will be critical.

The GGF includes policies for Diversity and Inclusion, Employee Relations, Talent and Resourcing, Remuneration, and Performance and Learning, and there is regular reporting to management and the Board covering, for example, the succession plans for critical talent, the management of industrial relations and the progress of initiatives around pay, culture and diversity.

C.6.7 Reputational risk

Reputational risk is a pervasive risk that can be triggered by any other key risks, or in its own right. The Group's reputation is the sum of its stakeholders' perceptions, which are shaped by the nature of stakeholder expectations and the Group's ability to meet them. Consequently, there is a risk that through its activities, behaviours or communications, it 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 the Group's revenues and cost base, its ability to attract and retain the best staff and could also result in regulatory intervention or action.

Reputational risk is a significant risk arising not just from process failures but also from people's behaviours and from an inability to communicate effectively. The creation of the new Company as a standalone listed entity also increases the potential for scrutiny and reputational risk.

The Group is facing an increasing range and severity of reputational events. Furthermore, past and current decisions could pose reputational threats in the future. A number of factors mean that such pressures will increase, including the rising interest of customers, regulators or investors in ESG issues, and social media providing the means for opinions to be stated and shared instantaneously.

In recognition of this, the Group has developed a bespoke Reputational Risk Management Framework and established a dedicated Reputational Risk Team reporting directly to the CRRO. Reputational risks are also required to be considered as part of all key business decisions.

C Risk profile (continued)

C.6 Other material risks (continued)

C.6.8 Regulatory compliance

The Group operates in highly regulated markets and interacts with a number of regulators, in an environment where the nature and focus of regulation and laws remain fluid. A number of national and international regulatory developments are in progress, with a continuing focus on solvency and capital standards, financial crime prevention, conduct of business (including fair customer outcomes and value for money requirements), data privacy and systemic risks. Changes in UK government policy, legislation (including tax), regulation or regulatory interpretation applying to the Group's entities may adversely affect the Group's product range, distribution channels, capital requirements and, consequently, reported results and financing requirements. Such risks are heightened in a post-Brexit world as the UK potentially seeks to diverge from current EU regulations. There are also a number of ongoing policy initiatives and regulatory developments that are having, and will continue to have, an impact on the way the Group is supervised.

The consequences of non-compliance can be wide ranging and include customer detriment, reputational damage, costs to remediate, fines and restrictions on operations or products. Compliance with applicable legislation and regulations is therefore of utmost importance. Significant progress has been made in closing historical regulatory issues including, in PAC, those identified through the Legacy Review and the Thematic Review of Annuity Sales Practices. However, the legacy book remains an area of considerable management and regulatory scrutiny.

The new Group structure itself also increases the risk of conflicts of interest (e.g. between asset owner and asset manager) and is a key focus for the regulators. As set out in Section B, the various entity boards operate within the overall ambit of the GGF, which sets out the respective roles and responsibilities between the Group and the entities, and allows for the appropriate management of potential conflicts of interest.

The Group has robust Regulatory Compliance, Financial Crime Prevention and Conflict of Interest Policies and a dedicated Compliance function, including a specialised Financial Crime Compliance team, to provide guidance to and oversight of the business in relation to regulatory compliance and conflicts of interest. The function carries out routine monitoring and deep dive activities to assess the delivery of fair customer outcomes and compliance with regulations, including anti-money laundering, and also monitors and responds to national and global regulatory developments.

C.6.9 Group risk

Group risk is defined as the risk that the financial position of a firm may be adversely affected by its relationships, financial or non-financial, with other firms in the same Group or by risks which may affect the financial position of the whole Group.

The Group's intra-group exposures include, intra-group reinsurance arrangements between the Group's insurance undertakings, which are governed by reinsurance treaties, PAC's use of asset management services provided by M&G Investments, which is governed by IMAs; the Group's reliance on remittances from subsidiaries to meet its dividend and debt obligations (this is considered and regularly monitored as part of the business planning process); loans between the Company and PruCap; and a limited number of loans or guarantees provided by the Company to PAC and M&G Investments.

The governance arrangements, risk management policies and processes, and internal control mechanisms within the Group ensure group risk is appropriately managed, including any potential conflicts of interest.

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 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 that capital and liquidity levels are adequate.
- Demonstrate the availability of appropriate and plausible management actions to cover potential losses incurred during extreme, but plausible events.
- Assist in the monitoring of adherence to the risk appetite.

To evaluate the Group's resilience to significant deteriorations in market and credit conditions and other shock events, the risks facing the Group, as described in the sections above, are assessed via stress scenarios. 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 business failure. 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.

Stress tests are performed both with and without any allowance for the TMTP granted by the PRA being recalculated. Stress tests 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 consistent with those applied when valuing the reported balance sheet, except that the movement in stressed own funds is calculated using the proxy models within the Internal Capital Model (ICM) rather than the full valuation models.

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.

C Risk profile (continued)

C.7 Any other information (continued)

Sensitivity Analysis

The estimated Group shareholder, With-Profits Fund and regulatory views of the Solvency II capital position, under a range of sensitivities as at 31 December 2019 are shown below.

Figure 28: Impact of sensitivities

Solvency II sensitivities	Shareholder view		With-Profits Fund view		Regulatory view	
At 31 December 2019	Surplus £m	Solvency ratio %	Surplus £m	Solvency ratio %	Surplus £m	Solvency ratio %
Base Solvency II capital position	**4,471**	**176%**	**7,628**	**267%**	**4,471**	**143%**
20% fall in equity markets	**4,019**	**170%**	**7,391**	**266%**	**4,019**	**140%**
20% 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 transitional measures on technical provisions, which would be subject to PRA approval.

A description of each sensitivity is as follows:

- The equity sensitivity reflects a 20% instantaneous fall in all global equity markets.
- The property sensitivity reflects a 20% instantaneous fall in all global property markets, including both residential and commercial 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 scenario assessments

The scenario assessments for the shareholder-backed business make no allowance for any management actions but do allow for recalculation of the TMTP. 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.

However, consideration of the coincidence of risks through combined and reverse stress testing has shown that it would take a strong event (comprising simultaneous market and 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 scenario assessments

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 analysis allows for recalculation of the TMTP in each stress scenario.

The results from stress testing show that the Group's With-Profits Fund is also 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.

In practice, and as noted above, 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 event (comprising simultaneous strong market and credit shocks) to reduce the solvency ratio below 100%.

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

A range of additional stress and scenario testing is carried out as a matter of course to support understanding of the key drivers of the Group's material risk exposures.

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.

C Risk profile (continued)

C.7 Any other information (continued)

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.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 under the Group's Investment Risk Oversight Framework, which ensures that the Group's investment risks are managed effectively and efficiently, and within risk appetite. The Framework focuses 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 Policy covers all aspects of overseeing investment risk across the Group, and includes 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 through the Investment Risk Oversight Framework.
- The Investment Policy specifically sets out the group-wide framework for management and oversight of investment performance and investment related risk. 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.
- The Dealing Controls Policy sets out the controls in relation to all trading operations, including the operational controls around derivative collateral management. The policy also sets out uniform controls across all asset classes (including non-listed and securitised investments) and clarifies the responsibility of business areas to ensure full compliance with all local regulations and requirements.
- 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 continues to review its Prudent Person Principle approach to ensure its ongoing adequacy in light of the PRA's recent consultation paper (CP22/19 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 the same as for IFRS, except for the unallocated surplus of the With-Profits Fund which is recognised as a liability under IFRS, but treated as surplus under Solvency II, and contingent liabilities which are recognised as liabilities under Solvency II if material.

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 31 December 2019 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 2019 Annual Reports and Accounts, in particular Note 1.5.4 which covers 'Financial Assets and Liabilities' and Note 33 'Fair value methodology'.

The 31 December 2019 Solvency II balance sheet incorporates no changes to the recognition of assets and other non-insurance liabilities during the period, other than in relation to Pension Benefit surpluses which prior to 31 December 2019 were assumed to be valued at nil rather than equal to their IFRS valuation. Further detail is set out in Section D.3.2.2.

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: Solvency II balance sheet and IFRS consolidated statement of financial position at 31 December 2019

All figures in £m

IFRS headings	IFRS	Differences: Unit-linked and consolidation (a)	Differences: Other presentation (b)	Differences: Recognition and Valuation (c)	Solvency II	Solvency II headings
Assets						**Assets**
Goodwill and other intangibles	1,439	(278)	1	(1,162)	—	Intangible assets
Deferred acquisition costs	104	—	—	(104)	—	Deferred acquisition costs
Deferred tax assets	78	(30)	(39)	(8)	1	Deferred tax assets
Defined benefit pension asset	77	(36)	—	—	41	Pension benefit surplus
Investments, deposits, cash and cash equivalents[1]	201,187	(53,827)	(9,901)	—	137,459	Investments, deposits, cash and cash equivalents[1]
Investment in joint ventures and associates (equity accounted)	524	19,940	(487)	(111)	19,866	Holdings in related undertakings including participations[2]
Assets held for index-linked and unit-linked contracts	—	20,873	(2,082)	138	18,929	Assets held for index-linked and unit-linked contracts
Loans	5,954	(2,198)	11,709	94	15,559	Loans and mortgages
Reinsurance assets	11,958	—	2,073	434	14,465	Reinsurance recoverables
Other assets[3]	4,922	(2,698)	(811)	6	1,419	Other assets[3]
Own shares (held directly)[4]	—	—	—	26	26	Own shares (held directly)[4]
Total assets	**226,243**	**(18,254)**	**463**	**(687)**	**207,765**	**Total assets**
Liabilities						**Liabilities**
Insurance and investment contract liabilities	172,179	(4)	(601)	1,793	173,367	Technical provisions
Unallocated surplus of the With-Profits Fund	16,072	—	—	(16,072)	—	Other technical provisions
Provisions	326	(116)	—	33	243	Provisions other than technical provisions
Defined benefit pension liability	28	—	—	—	28	Pension benefit obligations
Deferred tax liabilities	1,065	(56)	(42)	4	971	Deferred tax liabilities
Derivative liabilities	2,204	(392)	—	—	1,812	Derivatives
Third party interest in consolidated funds	11,643	(11,966)	831	(46)	462	Financial liabilities other than debts owed to credit institutions
Other liabilities[5]	17,595	(5,720)	275	(49)	12,101	Other liabilities[5]
Total liabilities	**221,112**	**(18,254)**	**463**	**(14,337)**	**188,984**	**Total liabilities**
Total equity	**5,131**	**—**	**—**	**13,650**	**18,781**	**Total excess of assets over liabilities**

[1] Investments include Equities, 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 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.
[5] Other liabilities includes debts owed to credit institutions, Deposits from reinsurers, Insurance and intermediaries payable, Reinsurance payables, Payables (trade, not insurance) and subordinated liabilities. The breakdown of these are detailed in Section D.3.2 Figure 40.

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 excess of assets over liabilities. The main differences include:

- £11,699m increase in loans and mortgages, in respect of reverse repos, which are instead presented as deposits under IFRS.
- £2,467m reduction in cash and cash equivalents in respect of certain amounts that are presented as deposits, debt or collective investments under Solvency II.
- £2,083m 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.

D Valuation for solvency purposes (continued)

(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:

- £16,072m 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).
- £1,793m increase in technical provisions and £434m increase in reinsurance recoverables from differences in the assumptions and methodology under IFRS and Solvency II. See Section D.2.1 for further details.
- £1,266m 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

On 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. The overall principle when valuing assets and liabilities under Solvency II is to use a fair value, as set out in Article 75 of the Solvency II Directive.

These valuation principles have been consistently applied to all the Group's related undertakings, other than financial institutions (asset managers and non-regulated entities carrying out financial activities) 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 financial institutions) is set out below:

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

As the default valuation method, assets and liabilities are valued using quoted market prices in active markets for the same assets or liabilities, where available.

The investments of the Group which are valued using this method include exchange listed equities, collective investment undertakings with quoted prices, exchange traded derivatives such as futures and options, and certain national government and corporate bonds, unless there is evidence that trading in a given instrument is so infrequent that the market could not possibly be considered active.

At 31 December 2019 £118.4bn 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.

There are a limited number of financial assets valued in this manner. At 31 December 2019 £1.0bn 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, a price or consensus price that existed 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. as prices) or indirectly (i.e. derived from prices). At 31 December 2019 £32.6bn 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 and other non-national government debt securities which are valued using observable inputs, together with over-the-counter derivatives and non-quoted investment funds valued with observable inputs.

These assets, in line with market practice, are generally valued using independent pricing services or quotes from third party brokers. These valuations are determined using independent external quotations from multiple sources and 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.

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.

Generally, no adjustment is made to the prices obtained from independent third parties. Adjustment is made in only limited circumstances, 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 as 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.

D Valuation for solvency purposes (continued)

D.1 Valuation of assets (continued)

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 market observable information at the measurement dates.

The majority of such securities were valued using matrix pricing, which is based on assessing the credit quality of the underlying borrower to derive a suitable discount rate relative to government securities of a comparable duration. Under matrix pricing, the debt securities are priced taking the credit spreads on comparable quoted public debt securities and applying these to the equivalent debt instruments factoring in a specified liquidity premium. The majority of the parameters used in this valuation technique are readily observable in the market and, therefore, are not subject to judgement.

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

Investments valued using valuation techniques with inputs not based on observable market data include financial investments which by their 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. These principally includes 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.

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.

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.

As at 31 December 2019, the Group held £36.4bn of assets, net of liabilities, at fair value valued in this manner.

Included within these net assets and liabilities are:

- £11.9bn of investment properties of the Group, which are externally valued by professionally qualified external valuers using the Royal Institution of Chartered Surveyors (RICS) valuation standards. An 'income capitalisation' technique is predominantly applied for these properties. This technique calculates the value through the yield and rental value depending on factors such as the lease length, building quality, covenant and location. The variables used are compared to recent transactions with similar features to those of the Group's investment properties. 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. Changes in assumptions, including the assumed equivalent yield and estimated rental value could positively or negatively impact the reported fair value of the properties.
- Debt securities of £12.8bn as at 31 December 2019, which were either valued on a discounted cash flow method with an internally developed discount rate or using other valuation methodologies including enterprise valuation and estimated recovery (such as liquidators' reports). These investments mainly comprise investments in private placement loans, income strips and unquoted corporate bonds:
    - Private placement loans and income strips with a value of £9.2bn: These assets are valued using a discounted cash flow model. The discount rate is made up of a risk-free rate and a credit spread. The risk-free rate is taken from an appropriate gilt of comparable duration and the spread is taken from a basket of comparable securities. The valuations are sensitive to movements in the discount rate applied.
    - The residual amount primarily relates to unquoted corporate bonds valued using techniques including broker quotes, enterprise valuation and estimated recovery (such as liquidators' reports) and are sensitive to the assumptions underlying those techniques.
- Equity securities and pooled investment funds with a value of £8.3bn: 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 £3.1bn: Of this amount, £1.6bn (and a corresponding liability of £0.4bn) related to equity release mortgage loans which were valued internally using discounted cash flow models. The inputs that are significant to the valuation of these investments are primarily the economic assumptions, being the discount rate (risk-free rate plus a liquidity premium) and property values. During 2019, there was a change to the deferment rate assumption which resulted in an increase in assumed property values at redemption. The most significant unobservable inputs relate to the discount rate, the current property value, the assumed future property growth and the assumed future annual property rental yield.

  The residual amount relates to other mortgage and retail loans which are valued using valuation techniques including broker quotes, enterprise valuation and estimated recovery, and are sensitive to those assumptions.
- £0.4bn 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 fair value movements of these loans and borrowings have no effect on shareholders' profit and equity. The most significant non-observable inputs to the mortgage fair value are the level of future defaults and prepayments by the mortgage holders.

D Valuation for solvency purposes (continued)

D.1 Valuation of assets (continued)

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 2019 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 2019 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 relating to insurance contacts acquired through business combinations are measured, at fair value on acquisition. Other purchased intangible assets, such as service concessions, 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.

For contracts written in UK regulated with-profit funds, there is no deferral of acquisition costs and these costs are expensed as incurred. Similarly, for products where all of the acquisition costs are recovered upfront, such as annuities, no acquisition costs are deferred.

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 £41m in Solvency II and £77m in IFRS, with the difference arising due to an M&G Investments' scheme being valued in accordance with its sectoral rules which requires the surplus to be derecognised.

For other schemes, pension benefit surplus is valued in accordance with IAS 19 under both IFRS and Solvency II. 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.1.2.5 Investments, deposits, cash and cash equivalents

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

Figure 30: Investments at 31 December 2019

Figures in £m	Solvency II and IFRS[1] value
Property (other than for own use)	**11,872**
Equities	**35,919**
Collective Investments Undertakings	**11,880**
Bonds	**70,591**
Derivatives	**3,845**
Deposits other than cash equivalents	**1,268**
Cash and cash equivalents	**2,084**
Total	**137,459**

[1] The IFRS values are shown allowing for the Solvency II balance sheet presentation to provide a like-for-like comparison.

D Valuation for solvency purposes (continued)

D.1 Valuation of assets (continued)

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 and hierarchy.

D.1.2.6 Holdings in related undertakings including participations

Article 13 of 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 asset managers (e.g. M&G Investments) and other non-regulated undertakings carrying out financial activities (e.g. Prudential Capital). The valuation of the individual assets and liabilities of these entities is determined using the sectoral rules (for asset managers) and notional sectoral rules (for the other non-regulated undertakings), and 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 open-ended investment companies 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 at 31 December 2019 shown in the Solvency II balance sheet was £19,866m which is £111m lower than the equivalent amount on an IFRS basis (but allowing for the Solvency II presentation to ensure a like-for-like basis). The majority of this difference arises from M&G Investments where the amount recognised under Solvency II is £193m lower than its value in IFRS, primarily reflecting restrictions in the valuation of pension scheme surpluses, intangibles and material holdings 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.

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 look-through and line-by-line consolidation to the underlying assets and liabilities held 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 Section D) give rise to £138m valuation differences.

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 repos.

Under IFRS, these loans 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 cashflows 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 at 31 December 2019

Figures in £m	Solvency II value
Property, plant & equipment held for own use	**337**
Insurance and intermediaries receivables	**21**
Reinsurance receivables	**19**
Receivables (trade, not insurance)	**1,042**
Total of 'Other assets'	**1,419**

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, and are not materially different (£6m at 31 December 2019) from the IFRS value.

Property, plant and equipment held for own use primarily relate to 'right-of-use' lease assets which are discussed further below.

D Valuation for solvency purposes (continued)

D.1 Valuation of assets (continued)

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.

Under Solvency II, a fair valuation is required to be used. At 31 December 2019, the value produced using the IFRS 16 valuation methodology is considered to provide a materially representative estimate of the fair value required under Solvency II.

If the lease asset arises within a sectoral related undertaking, then it is valued in accordance with the sectoral rules applicable to that undertaking.

The amount of £267m at 31 December 2019 included within 'Property, plant & equipment held for own use' corresponds 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.

The corresponding lease liability is described in D.3.2.8, and further information on the Group's leasing arrangements is described in A.4.3.

D.2 Technical provisions

To the extent these disclosures relate to the risk margin, transitional measures and/or the Solvency Capital Requirement, 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 best estimate liability (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 European Insurance and Occupational Pensions Authority (EIOPA) 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 in- and out-flows 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.

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, applied to the projected run-off of the non-hedgeable risks. In calculating the risk margin, no diversification is assumed between the risks in different legal entities.

The main non-hedgeable risks (primarily underwriting risks) are described in Section C and quantified in Section E.2.2. Longevity risk gives rise to a significant proportion of the overall risk margin.

The risk margin calculation includes simplified methods and requires assumptions as to the run-off profile of non-hedgeable capital requirements for each line of business in each entity, in line with Article 58 of the Delegated Regulation, rather than a full projection of SCR. 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 Valuation for solvency purposes (continued)

D.2 Technical provisions (continued)

D.2.1.3 Technical provisions by line of business

Figure 32: Value of technical provisions at 31 December 2019

All figures in £m	Solvency II[2]				
Solvency II Line of business[1]	Best estimate liability	Risk margin	TMTP	Total	IFRS Total[3]
Insurance with-profit participation	109,841	1,197	(719)	110,318	125,190
Index-linked and unit-linked insurance	20,945	134	(84)	20,996	21,216
Other[4]	41,046	2,970	(1,963)	42,053	41,096
Total	171,831	4,302	(2,766)	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 £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 (where they are described as policyholder liabilities) are:

(a) The IFRS liabilities do not include an explicit risk margin as the allowance for risk is included within the assumptions. An explicit risk margin of £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, 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 performed at 31 December 2019 and reduces the Group's technical provisions by £2,766m (see Section D.2.5.1 for further details).

(b) The IFRS insurance contract liabilities include £750m in respect of outstanding claims. These amounts are shown as Insurance and intermediary payables under Solvency II.

(c) 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 (£16,072m) is recorded as a liability, whilst there is no equivalent adjustment in the Solvency II balance sheet.

Under IFRS, the liabilities for closed with-profits funds (i.e. PAC's SAIF sub-fund) are increased to exhaust the surplus in the fund (£308m).

In contrast, the Solvency II technical provisions allow for future enhancements to asset shares in respect of profits on non-profit business (£757m) and for the tax payable on shareholder transfers (£310m), with no equivalent adjustments under IFRS.

(d) 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 £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 £2,700m lower liabilities under Solvency II.
- Economic assumptions including the discount rate tend to be more prudent under Solvency II compared to IFRS, resulting in a £2,512m increase in liabilities under Solvency II.

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 Article 61 of the Delegation Regulations, a simplified approach to calculating the counterparty default adjustment has been adopted.

D Valuation for solvency purposes (continued)

D.2 Technical provisions (continued)

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

Figure 33: Value of reinsurance recoverables at 31 December 2019

Reinsurance recoverables[1]	£m
Insurance with-profit participation	**(1)**
Index-linked and unit-linked insurance	**2,157**
Other life insurance[2]	**12,308**
Total Solvency II	**14,465**
Total IFRS	**11,958**
Difference	**(2,507)**

[1] The lines of business include direct business and accepted reinsurance.
[2] Includes 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 £(2,083)m to the difference.

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

The most significant reinsurance recoverable relates to the reinsurance arrangement with Rothesay Life (£12,444m Solvency II) 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 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 best estimate liability cash-flows (for example future claims and expenses).
- 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 best estimate liability cash-flows are discounted are specified by the European Insurance and Occupational Pensions Authority. 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 at 31 December 2019

Currency	31 December 2019
British Pound	**0.91%**
Euro	**0.11%**

For most non-profit annuity business, a matching adjustment is applied to the risk-free curve to discount the best estimate liability 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 calibration for shareholder annuities at 31 December 2019 allowed for 49 basis points (bps) per annum of credit provision. The equivalent calibration for the annuities in the With-Profits Fund at 31 December 2019 allowed for 52 bps per annum of credit provision.

D.2.2.2 Non-economic assumptions

Persistency, mortality and expense 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. Subsequent variations in experience from the assumptions will impact the Group's excess of assets over liabilities.

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

D.2.3.1 Participating business

The best estimate liability 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.

D Valuation for solvency purposes (continued)

D.2 Technical provisions (continued)

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. 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 review by the Financial Services Authority (FSA), the UK insurance regulator at the time, of past sales of personal pension policies required all UK life insurance companies to review their cases of potential mis-selling and record a liability for the estimated costs.

Whilst the Group believed it met the requirements of the FSA 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 liability at 31 December 2019 is based on best estimate assumptions and market conditions and reflects the FCA FG17/9: 'Guidance for firms on how to calculate redress for unsuitable defined benefit pension transfers' and the recent court judgement in respect of the equalisation of Guaranteed Minimum Pensions (GMPs).

At 31 December 2019, the pension mis-selling amount included within the best estimate liability was £420m.

D.2.3.2 Non-profit annuity business

The best estimate liability 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, and the discount rate (based on risk free interest rates and where applicable a matching adjustment - see Section D.2.4.3).

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.

Longevity assumptions for annuity business are set in light of recent population and internal experience, with an allowance for expected future longevity improvements. Given the long-term nature of annuity business, longevity remains a significant assumption in determining policyholder liabilities.

In setting the 2019 longevity basis the best estimate assumption was updated to include additional England and Wales population data, and the allowance for future improvement rates is updated for both males and females to CMI 2017 default for males with a stronger calibration for females and with a 1.75% long-term rate for males, and a 1.50% long-term rate for females.

From April 1987, pension schemes were able to “contract out” of the State Earnings Related Pension Scheme, enabling companies and members to pay lower National Insurance Contributions, but their schemes had to provide a minimum level of benefit, the Guaranteed Minimum Pension (GMP). Recent court cases have confirmed that there is a requirement for GMPs to be equalised between male and female members / policyholders. The Group has included £55m within the best estimate liability for the expected costs of equalisation, however there is uncertainty as to the extent to which the judgements apply to schemes other than active defined benefit schemes and therefore the extent to which the Group may be responsible for achieving this across its product lines. However a base balance sheet provision for the With-Profits Fund of £30m has been introduced to reflect the cost of redress for schemes written in the With-Profits Fund.

The Pension Age Equalisation provision is £62m at 31 December 2019.

D.2.3.3 Unit-linked business

The best estimate liability for these contracts reflects both the value of policyholder unit funds and the discounted value of fee income from the unit funds less allowances for expenses and other costs. Assumptions are also made for expected mortality and morbidity experience, as relevant, where the products include insurance risk benefits, 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 best estimate liability 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.

Included within other business is an immaterial amount of non-life legacy business which is fully reinsured.

D.2.4 Long-term guarantee measures on technical provisions

D.2.4.1 Transitional measures

The Group's technical provisions at 31 December 2019 include an allowance for TMTP, in accordance with Article 308d of Directive 2009/138/EC. The TMTP is unaudited. The impact of these transitional measures is to increase the Group's Solvency II surplus by £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 transitional measures are considered high-quality capital and are 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 transitional measures. There is no TMTP for PIA.

D Valuation for solvency purposes (continued)

D.2 Technical provisions (continued)

The TMTP reported above is based on the amount calculated at the last approved recalculation date which was 31 December 2019.

The 31 December 2019 technical provisions 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 2019.

D.2.4.3 Matching adjustment

The matching adjustment referred to in Article 77b of Directive 2009/138/EC 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 Article 77b of 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 assigned portfolio of assets, with deductions for the 'fundamental spread' (i.e. credit risk allowance) as published by the European Insurance and Occupational Pensions Authority and for cash-flow mismatch allowances. Further information is provided in Section D.2.2.1.

Separate portfolios of assets are held for the Group's With-Profits Fund and shareholder-backed non-profit annuities.

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 at 31 December 2019 are shown in the table below:

Figure 35: Impact on Solvency II results of excluding TMTP and the MA at 31 December 2019

Figures in £m	As reported in QRTs	Impact of removing TMTP	Impact of removing MA	Total excluding TMTP and MA
Technical Provisions	173,367	2,766	2,910	179,043
Basic Own Funds	14,036	(1,249)	(1,477)	11,310
Own Funds eligible to cover Group SCR	14,889	(1,249)	(1,477)	12,163
Group SCR	10,419	232	3,367	14,018
Solvency ratio (regulatory view)	143%	(15)%	(41)%	87%
Own Funds eligible to cover Group MCR	10,774	(1,237)	(1,309)	8,227
Group MCR	2,501	58	842	3,401

D.2.5 Assumption changes

As described in the Basis of Preparation section, there was no requirement for the Group to produce group Solvency II reporting until after its demerger from Prudential plc. However, to aid understanding of recent developments in the Group's solvency valuation, the key assumption changes in the calculation of technical provisions over 2019 are described below, and include:

- Changes to the matching adjustment allowance to reflect the asset mix and market conditions at 31 December 2019.
- Changes to renewal expense assumptions to reflect forecast expense experience, allowing for planned transformation activity, and the impact of the reinsurance contract with Rothesay Life which remains in place.
- Changes to investment expense assumptions to reflect changes in strategic asset allocation.
- Changes to persistency assumptions to reflect the results of the most recent experience investigation.
- Changes to best estimate annuitant longevity assumptions to reflect emerging data.
- Market-driven changes to economic parameters, including changes to risk-free rates as shown in Section D.2.2.1.

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

Other liabilities are valued separately using valuation methods that are consistent with the valuation approach set out in the Solvency II Directive. 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 Valuation for solvency purposes (continued)

D.3 Valuation of other liabilities (continued)

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.

Regulatory provisions in relation to annuity sales practices

Regulatory provisions includes a provision for review of past annuity sales of £100m as at 31 December 2019.

PAC has agreed with the FCA to review annuities sold without advice after 1 July 2008 to its contract based defined contribution pension customers. In addition, PAC will be conducting a review of other groups of annuities sold after 1 July 2008 which are not regulated by the FCA. 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 key assumptions underlying the provision are average cost of redress per customer and cost of rectification 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 £7m. An increase in the total outstanding cost of rectification of 20% would result in the provision recognised increasing by £7m.

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 £76m as at 31 December 2019 primarily related to change in control costs which will be incurred in the four years to 2023.

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 2019 is the Prudential Staff Pension Scheme (PSPS), which accounts for 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 (M&GGPS) and Scottish Amicable (SASPS) businesses prior to their acquisition.

At 31 December 2019, 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 be amended in future years.

ii) Valuation and approach

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

Figure 36: Valuations of pension schemes at 31 December 2019

Figures in £m	Solvency II	IFRS
PSPS	**41**	**41**
SASPS	**(28)**	**(28)**
M&GGPS	**—**	**37**
Total	**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 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.

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. At 31 December 2019 M&GGPS has investments of £137m in insurance policies issued by PPL, a subsidiary of the Group, through which it invests in certain pooled funds, and are therefore are excluded from the IAS 19 valuation shown above.

The Solvency II balance sheet value of the PSPS and SASPS Schemes is set equal to the IFRS valuation.

D Valuation for solvency purposes (continued)

D.3 Valuation of other liabilities (continued)

The M&GGPS surplus is attributable to M&G Investments, which is consolidated based on its sectoral rules. Under these rules, the scheme surplus (including any amounts in respect of investments in insurance policies issued by PPL which are not included in the IAS 19 valuation) is derecognised and therefore not included in the value of M&G Investments shown in Section D.1.2.6.

iii) Significant changes during 2019

Changes to scheme rules

In January 2019, following consultation, the Group reached agreement that pensionable salary increases for the members of all three UK defined benefit schemes who earn in excess of £35,000 would be capped after 30 September 2019. Pension benefits will still relate to how many years employees have been active scheme members, as they do now, as long as the employees remain working for the Group.

The pension scheme valuations for the schemes as at 31 December 2019 incorporate the effect of these changes in scheme rules.

Changes to allocation of PSPS surplus

Until 30 June 2019, the PSPS surplus was attributed 30% to Prudential plc (external to the Group) and 70% to the With-Profits Fund (part of the Group). On 30 June 2019, the 30% funded by Prudential plc was formally reallocated to the Group's shareholders.

iv) 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 benefit obligations for the year ended 31 December 2019 were as follows:

Figure 37: Pension scheme actuarial economic assumptions at 31 December 2019[1]

Figures in %	PSPS	SASPS	M&GGPS
Discount rate[2]	2.1%	2.1%	2.1%
Salary inflation[3]	3.1%	3.0%	3.0%
Retail Prices Index (RPI)	3.1%	3.0%	3.0%
Consumer Prices Index (CPI)	2.1%	2.0%	2.0%
Rate of increase of pensions in payment for inflation[4]			
CPI (maximum 5%)[5]	2.5%	n/a	n/a
CPI (maximum 2.5%)[5]	2.5%	n/a	n/a
Discretionary[5]	2.5%	n/a	n/a
RPI (maximum 5%)[5]	n/a	3.0%	3.0%
RPI (maximum 2.5%)[5]	n/a	2.5%	2.5%

1 The IAS 19 discount rate and inflation rate assumptions have been determined by considering the shape of the bond index and inflation curves, relative to the profile of the scheme's liabilities. During 2019, the process of setting these assumptions was amended to reflect the characteristics of each scheme's liabilities, instead of being based upon the largest scheme.

2 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.

3 Note that due to the scheme changes during 2019, the pensionable salary used to determine scheme benefits will be frozen at the 30 September 2019 levels for most members.

4 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.

5 Certain tranches of scheme benefits within PSPS have statutory pension increases in line with the better 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. Mortality is based on Scheme experience, whilst the mortality improvement model used for the Group's schemes, along with the associated life expectancies is set out in the table below.

Figure 38: Pension scheme post retirement mortality assumptions at 31 December 2019

		Expectation of life from retirement at aged 60			
Scheme	Mortality improvements model	Male currently aged 60	Male currently aged 40	Female currently aged 60	Female currently aged 40
PSPS	CMI 2017	27.3	29.5	28.5	30.4
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 2019 Annual Report and Accounts.

D Valuation for solvency purposes (continued)

D.3 Valuation of other liabilities (continued)

v) Underlying investments of the schemes

The assets of each scheme, including the underlying assets represented by the investments in Group insurance policies, at 31 December 2019 comprise the following investments:

Figure 39: Scheme assets at 31 December 2019

	PSPS £m	Other £m	Total £m	%
Equities:				
UK	8	7	15	—
Overseas	25	63	88	1
Bonds:				
Government	4,676	688	5,364	61
Corporate	1,753	487	2,240	25
Asset-backed securities	298	14	312	3
Derivatives	186	1	187	2
Properties	150	144	294	3
Other assets	351	126	477	5
Total value of assets	7,447	1,530	8,977	100

D.3.2.3 Deferred Tax Liabilities

The principles of IAS12 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, at 31 December 2019 (Solvency II: £970m, IFRS: £987m) principally relates 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, quotations from third parties or valued internally using the discounted cash flow method in line with standard market consistent valuation techniques, but are subject to independent assessment against external counterparties' valuations.

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 at cost under IFRS, with a £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 at 31 December 2019

Figures in £m	Solvency II	IFRS[1]	Valuation difference
Debts owed to credit institutions	3,745	3,745	—
Deposits from reinsurers	231	231	—
Insurance & intermediaries payables	708	708	—
Payables (trade, not insurance)	3,569	3,573	4
Reinsurance payables	86	86	—
Subordinated liabilities	3,762	3,807	45
Any other liabilities, not elsewhere shown	—	—	—
Total of 'Other liabilities'	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.

D Valuation for solvency purposes (continued)

D.3 Valuation of other liabilities (continued)

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 collateral creditors and obligations under securities lending.

Payables includes lease liabilities of £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 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. 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 at 31 December 2019 are shown in the table below.

Figure 41: Subordinated debt instruments at 31 December 2019

		As at 31 December 2019		
All figures in £m	**Principal amount**	**Solvency II Value**	**IFRS Value inc Accrued Interest**	**IFRS Value**
5.625% Sterling fixed rate due 20 October 2051	£750m	**863**	**871**	**862**
6.25% Sterling fixed rate due 20 October 2068	£500m	**607**	**614**	**608**
6.50% US Dollar fixed rate due 20 October 2048	$500m	**445**	**452**	**448**
6.34% Sterling fixed rate due 19 December 2063	£700m	**845**	**857**	**856**
5.56% Sterling fixed rate due 20 July 2055	£600m	**690**	**699**	**684**
3.875% Sterling fixed rate due 20 July 2049	£300m	**313**	**314**	**309**
Total subordinated liabilities		**3,762**	**3,807**	**3,767**

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 £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 both its IFRS consolidated statement of financial position and Solvency II balance sheet.

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 consolidated income statement if the carrying amount of the right of use asset has been reduced to zero.

At 31 December 2019, the value produced using the IFRS 16 valuation methodology is considered to provide a materially representative estimate of the fair value required under Solvency II.

Further information on the leasing arrangements of the Group is disclosed in A.4.3.

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 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 a relevant risk-free interest rate structure.

At 31 December 2019 there were no material contingent liabilities that were recognised as a liability under Solvency II.

D Valuation for solvency purposes (continued)

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 Independent Price Verification (IPV) Group Wide Operating Standards 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 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 adopted by 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, transitional measures 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 consolidated accounts 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 since its demerger.

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 at 31 December 2019 are £10,322m. This figure allows for the approved recalculation of the TMTP reflecting operating and market conditions at that date. The corresponding Group consolidated own funds shown on the regulatory template S.23.01.22 are £14,889m after including the own funds attributable to the With-Profits Fund, but restricted to the amounts necessary to cover that fund's SCR.

A reconciliation from the estimated Group shareholder Solvency II capital position published in the 2019 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 at 31 December 2019 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 2019 Annual Report and Accounts to the QRTs

The Group disclosed the estimated Group Solvency II capital surplus, as at 31 December 2019 in the M&G plc 2019 Annual Report and Accounts of £4.5bn (£4,471m) consistent with the disclosures in this document. This includes the impact of a recalculated TMTP as at 31 December 2019 and was calculated as being own funds of £10,322m less a SCR of £5,851m.

A reconciliation of the Group shareholder Solvency II capital position to the Solvency II capital position disclosed in the 2019 regulatory templates (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 regulatory templates at 31 December 2019

31 December 2019	Own funds	SCR	Surplus	Solvency ratio
	£m	£m	£m	%
Group shareholder Solvency II capital position as disclosed in the M&G plc 2019 Annual Report and Accounts[1]	**10,322**	**5,851**	**4,471**	**176%**
With-Profits Fund capital position	**12,196**	**4,568**	**7,628**	**267%**
Ring-fenced funds consolidation of own funds limited to SCR balances	**(7,628)**		**(7,628)**	
Group Solvency II capital position as disclosed in templates S.23.01.22 and S.25.03.22	**14,889**	**10,419**	**4,471**	**143%**

[1] The figures in the M&G plc 2019 Annual Report and Accounts were disclosed in £bn.

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 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 at 31 December 2019. Of the £3,762m of Tier 2 capital only, £500m (20% of the Group MCR), is eligible to meet the Group MCR.

Figure 43: Analysis of components of own funds at 31 December 2019

All figures in £m	Total 2019	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3[f]
Ordinary share capital including share premium[a]	500	500	—	—	—
Surplus funds[b]	13,223	13,223	—	—	—
Reconciliation reserve[c]	(2,597)	(2,597)	—	—	—
Subordinated liabilities[d]	3,762	—	—	3,762	—
Net deferred tax assets	1	—	—	—	1
Deductions for participations in credit institutions, investment firms and financial institutions	(853)	(853)	—	—	—
Total eligible own funds to meet the Group MCR	**10,774**	**10,273**	**—**	**500**	
Total eligible own funds to meet the Group SCR (excluding other financial sectors)	14,036	10,273	—	3,762	1
Participations in credit institutions, investment firms and financial institutions[e]	853	853	—	—	—
Total eligible own funds to meet the Group SCR (including other financial sectors)	**14,889**	**11,126**	**—**	**3,762**	**1**

(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 credited to the share premium account (£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 funds). Having considered the features of Tier 1 own fund instruments set out in Article 71 of the Commission Delegated Regulation (EU) 2015/35 and the guidance in the PRA Supervisory Statement SS13/15 (Solvency II: surplus funds) the Group has classified surplus funds under Tier 1.

E Capital management (continued)

E.1 Own funds (continued)

E.1.3 Analysis of the components of own funds

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 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 at 31 December 2019

All figures in £m	2019
Excess of assets over liabilities	**18,781**
Deductions[1]	
Own shares (held directly and indirectly)	**(26)**
Foreseeable dividends, distributions and charges	**—**
Other basic own fund items	**(13,724)**
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**(7,628)**
Other non-available own funds	**—**
Reconciliation reserve	**(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)

At 31 December 2019, the Group's subordinated liabilities consist of subordinated notes which were transferred from Prudential plc on 18 October 2019, receiving £3,241m of cash as consideration for assuming these liabilities. The transfer of the subordinated liabilities was achieved by substituting the Company 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 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 2019 is described in Figure 45.

Also shown in Figure 45 is the Solvency II valuation of these instruments. The Solvency II valuation of £3,762m as at 31 December 2019 (18 October 2019: £3,814m) is based on fair value but excludes the impact arising from changes in own credit standing since initial recognition. The reduction in the value of the subordinated debt since 18 October 2019 primarily reflects increases in risk free rates and payments of coupons since that time.

Figure 45: Key features of the Group's subordinated notes at 31 December 2019

	5.625% Sterling fixed rate	6.25% Sterling fixed rate	6.50% 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 (£m) at 31 December 2019	**863**	**607**	**445**	**845**	**690**	**313**
Solvency II value (£m) at 18 October 2019	**865**	**610**	**462**	**872**	**693**	**312**

[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 subordinated 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 the 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 £1m of net deferred tax assets at 31 December 2019, after offsetting deferred tax liabilities, where appropriate.

Changes in composition of own funds during 2019

If the Group existed under Solvency II regulations at 31 December 2018, its capital structure would have been substantially comprised of Tier 1 capital, given that no subordinated debt had been issued at that time.

Ancillary own funds

The Group had no ancillary own funds at 31 December 2019.

E.1.4 Change in own funds for the year ended 31 December 2019 (Unaudited)

At 31 December 2018, the Group and its underlying businesses were in place but the Group was not subject to Solvency II group reporting requirements. To aid understanding of the main reasons for the development in the Group's own funds during 2019, an analysis has been provided assuming that the Group had been subject to these group reporting requirements at the start of the year, and applying merger accounting principles as described in Note 1.3 of the IFRS consolidated financial statements. 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 2019, prepared on this basis.

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. 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.
    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, 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 2019

£m		Shareholder view	With-Profits Fund view	Regulatory view
Savings and Asset Management	Asset management	381		381
	With-profits	130		130
	- of which: In-force	96		96
	- of which: New business	34		34
	Other	65		65
	Savings and Asset Management underlying own funds generation	576		576
Heritage	With-profits	71		71
	Shareholder annuity and other	255		255
	Heritage underlying own funds generation	326		326
Corporate Centre	Interest and Head Office cost[1]	(84)		(84)
With-profits ring-fenced funds underlying own funds generation			825	825
Total underlying own funds generation		**818**	**825**	**1,643**
Other operating own funds generation				
	Savings and Asset management	1		1
	Heritage	222		222
	Corporate centre	17		17
	With-profits ring-fenced funds		699	699
Total operating own funds generation		**1,058**	**1,523**	**2,581**
	Market movements	983	1,017	2,000
	Restructuring costs and other	(168)	—	(168)
	Tax	(139)	18	(121)
Total own funds generation		**1,734**	**2,558**	**4,292**
Own funds generation from discontinued operations[2]		70	—	70
Total own funds generation including discontinued operations		**1,804**	**2,558**	**4,362**
Change in with-profits ring-fenced fund restrictions[3]				(2,169)
Dividends and capital movements[4]		(1,213)	—	(1,213)
Total movement in own funds[3]		**591**	**2,558**	**980**

[1] The underlying own funds generated by the Corporate Centre (£(84)m) differs from adjusted operating profit before tax (£(77)m) due to the difference in the measurement of debt interest costs under Solvency II compared to IFRS.
[2] Discontinued operations relate to Prudential Vietnam Finance Company Limited which was sold in June 2019, and the discontinued corporate treasury services provided to Prudential plc by Prudential Capital Holding Company Ltd.
[3] 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). Whilst the With-Profits Fund own funds increased by £2,558m during 2019, £(2,169)m of this amount was restricted in determining the increase in Group's regulatory own funds.
[4] Includes proceeds from the subordinated debt substitution, offset by payments to Prudential plc to purchase a number of subsidiaries and dividends paid.

The main own funds movements during 2019 were as follows:

Shareholder:

- Underlying own funds generation increased own funds by £818m during 2019. This reflects £381m adjusted operating profit before tax from the asset management business and £521m from the insurance business from the unwind of the in-force insurance business, the contribution from new insurance business and the return on surplus assets. This was partially offset by £(84)m of interest and Head-Office costs.
- Other operating items resulted in own funds capital generation of £240m. This includes the impact of longevity and expense assumption changes.
- Non-operating items increased own funds by £676m. This reflects significant positive market movements of £983m, offset by £(168) m of merger, transformation, rebranding and other change in control costs and £(139)m of tax.
- Dividend and capital movements contributed to a net reduction of £(1,213)m in own funds, and was primarily comprised of:
  - Proceeds from the debt substitution of £3,241m. This reflects the amounts paid by Prudential plc to M&G plc to take on the subordinated debt liabilities.
  - Payment of dividends totalling £4,360m to Prudential plc prior to the demerger, and a further £86m paid to Prudential plc in respect of the purchase of a number of subsidiaries.

E Capital management (continued)

E.1 Own funds (continued)

With-Profits Fund:

- Underlying capital generation of £825m was comprised of £571m from the expected surplus from in-force business, primarily the expected return on the excess of assets over liabilities in the With-Profits Fund, and £254m from new business written during the period, reflecting the future margins expected over the lifetime of that business.
- Other operating capital generation of £699m was comprised of £230m of model improvements, £199m of assumption changes (primarily longevity) and £157m of experience variances.
- Market movements of £1,017m, reflecting strong investment returns in the period which reduced future costs of guarantees and smoothing, and gains on surplus assets held.
- The change in ring-fenced fund restrictions reflects that surplus of the With-Profits Fund is not available to cover losses elsewhere in the Group. Own funds are therefore only recognised to the extent required to cover the SCR of the With-Profits Fund, with the £389m of additional own funds being recognised reflecting the increased Solvency Capital requirements of the fund during the year.

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 at 31 December 2019

	£m
IFRS shareholders' equity	**5,131**
Remove unallocated surplus of the With-Profits Fund from liabilities	16,072
Remove goodwill and intangible assets	(1,266)
Net impact of liabilities and reinsurance valued on Solvency II basis	315
Impact of introducing Solvency II Risk Margin (net of transitional measures)	(1,536)
Fair value assets and liabilities not held at fair value under IFRS	(61)
Other	126
Solvency II excess of assets over liabilities	**18,781**
Subordinated debt capital	3,762
Ring-fenced fund restrictions	(7,628)
Other	(26)
Solvency II eligible own funds	**14,889**

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 subsidiary's 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 in shown in Figure 47 above.

Restriction to own funds arising from own shares

The value of treasury shares held by the Group is deducted in determining the own funds. At 31 December 2019, the Group held £26m of treasury shares.

Restriction to own funds arising from defined benefit pension schemes

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. At 31 December 2019, 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.

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. An ordinary dividend of £310m and a special dividend related to the demerger of £100m were approved by the Board on 9 March 2020 to be paid on 29 May 2020. These were not deemed foreseeable at 31 December 2019 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 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 (SCR) and Minimum Capital Requirement (MCR)

(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 each EEA based insurance undertaking (namely PAC, PPL and PIA).

In advance of the demerger, the Internal Model and its governance framework was reviewed to ensure it remains appropriate for the Group. This formed part of the 2019 Major Model Change application which was approved by the PRA in October 2019.

In line with Solvency II requirements, capital requirements for asset managers (M&G Investments) and non-regulated undertakings carrying out financial activities 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

At 31 December 2019, the consolidated Group SCR of £10,419 comprised of:

- £9,925m SCR calculated on the basis of consolidated data in respect of insurance undertakings, insurance holding companies and ancillary service companies.
- £494m sectoral and notional sectoral requirements from asset managers and non-regulated entities carrying out financial activities

No element of the SCR is subject to supervisory assessment.

The same internal model is used to calculate the Group capital requirements and PAC solo capital requirements. The SCR of £9,925m, calculated on the basis of the consolidated data, reflects the capital requirements of the Group's main insurance subsidiary PAC (£9,745m) 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 Supplementary Information in the M&G plc 2019 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 (SCR) and Minimum Capital Requirement (MCR) (continued)

Figure 48: Composition of capital requirements for the Group at 31 December 2019

Risk component	Capital requirement £m
Interest rate risk	1,479
Equity risk	3,123
Property risk	1,442
Credit risk[1]	5,566
Concentration risk	—
Currency risk	2,030
Diversification within market risks	(5,317)
Other counterparty risk	359
Mortality risk	25
Longevity risk	3,561
Disability-morbidity risk	30
Mass lapse	161
Other lapse risk	1,251
Expense risk	1,553
Life catastrophe	18
Diversification within life underwriting risks	(3,468)
Other non-life underwriting risk	—
Operational risk	1,457
Loss-absorbing capacity of deferred tax	(1,009)
Other adjustments	—
Total undiversified components	12,261
Diversification between market and underwriting risks	(2,336)
Total diversified SCR based on consolidated data	9,925
Sectoral SCR	494
Total Consolidated Group SCR	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 EEA authorised insurance and reinsurance undertakings including 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. At 31 December 2019, the Group MCR was £2,501m, of which £2,436m relates to PAC with the residual amount arising from PPL (£22m) and PIA (£43m).

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

E.2.3 Change in SCR for the year ended 31 December 2019 (Unaudited)

At 31 December 2018, the Group and its underlying businesses were in place but the Group was not subject to Solvency II group reporting requirements. To aid understanding of the main reasons for the development in the Group's SCR during 2019, an analysis has been provided assuming that the Group had been subject to these group reporting requirements at the start of the year, and applying merger accounting principles as described in Note 1.3 of the IFRS consolidated financial statements. Figure 49 below and the accompanying commentary provide the reasons for the changes in the components which make up the Group's SCR during 2019, prepared on this basis.

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.
- Other operating SCR movement, which include non-market related experience variances, assumption changes, modelling changes and other movements.

E Capital management (continued)

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

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 is shown separately for the regulatory SCR, the ring-fenced With-Profits Fund's SCR and the residual shareholder business' SCR.

Figure 49: Analysis of change in the Group SCR for the year ended 31 December 2019

£m		Shareholder view	With-Profits Fund view	Regulatory view
Savings and Asset Management	Asset management	2		2
	With-profits	130		130
	- of which: In-force	35		35
	- of which: New business	95		95
	Other	2		2
	Savings and Asset Management underlying SCR movement	134		134
Heritage	With-profits	—		—
	Shareholder annuity and other	(133)		(133)
	Heritage underlying SCR movement	(133)		(133)
Corporate	Interest and Head Office cost	(4)		(4)
With-profits ring-fenced funds underlying SCR movement			(122)	(122)
Total underlying SCR movement		**(3)**	**(122)**	**(125)**
Other operating SCR movement				
	Savings and Asset Management	(16)		(16)
	Heritage	(295)		(295)
	Corporate centre	96		96
	With-profits ring-fenced funds		(89)	(89)
Total operating SCR movement		**(218)**	**(211)**	**(429)**
	Market movements	445	600	1,045
	Restructuring costs and other	(35)	—	(35)
	Tax	33	—	33
Total SCR movements from continuing operations, before dividends and capital movements		**225**	**389**	**614**
SCR movements in respect of discontinued operations[1]		(88)	—	(88)
Dividends and capital movements		(2)	—	(2)
Total movement in SCR		**135**	**389**	**524**

[1] Discontinued operations relate to Prudential Vietnam Finance Company Limited which was sold in June 2019, and the discontinued corporate treasury services provided to Prudential plc by Prudential Capital Holding Company Ltd.

The main SCR movements during 2019 were as follows:

Shareholder:

- Underlying movements resulted in a net £3m reduction in the SCR during 2019. This primarily reflected increases in respect of new business offset by the run-off of SCR from in-force business.
- Other operating items resulted in a £215m reduction in the SCR. The most significant items comprised £146m reduction from modelling improvements, £134m reduction from management actions taken over the period, offset by £96m of additional capital requirements established for the Corporate Centre.
- Market movements increased capital requirements by £445m, primarily driven by the increases in equity markets and falls in interest rates. These changes increased the Group's exposure to equities and also reduced the value of protective hedges.
- £88m reduction in capital requirements as a result of discontinued operations relating to the unwinding of PruCap exposures to Prudential plc (and its subsidiaries) and the disposal of the Group's Vietnamese subsidiary.

With-Profits Fund:

- Underlying movements resulted in the SCR reducing by £122m during the period. This reflects a £304m release of capital requirements as the in-force business runs off, offset by £182m additional capital requirements in respect of new business written over the period.
- Other operating items released a further £89m of capital requirements, primarily as a result of model improvements and management actions.
- Market movements increased capital requirements by £600m, primarily driven by falls in interest rates, and to a lesser extent increases in equity markets and narrowing of credit spreads.

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 Capital management (continued)

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 2019 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 convert the existing Prudential plc Group Solvency II Internal Model into approval for an M&G plc model. 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 under Article 231 of the Directive (and Commission Delegated Regulation (EU) 2015/35 Article 347) to calculate the consolidated M&G plc group SCR and solo entity SCR for each applicable EEA based insurance entity, namely, PAC, PPL and PIA.

As required in Article 101 of Directive 2009/138/EC, the solvency capital requirement 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 solvency capital requirement, by subtracting the 99.5^{th} worst percentile outcome from the unstressed balance sheet.

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
- 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-fence 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 EIOPA. 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 discontinuance 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 2019 since its demerger from Prudential plc.

E.6 Any other information

There is no other material information regarding the Group's capital management other than those disclosed in the sections above.

Glossary

Term	Definition
Adjusted operating profit before tax	Adjusted operating profit before tax is the Group's key alternative performance measure. It is described 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 refers to the total market value of all financial assets managed and/or administered on behalf of customers.
Board	The Board of Directors of the Company.
Bonuses	A 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 United Kingdom's departure from the European Union after 31 January 2020.
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, United Kingdom.
Demerger	The demerger of the Group from The Prudential plc Group on 20 October 2019.
Director	A Director of the Company
Defined Benefit pension scheme	A pension scheme where an employer/ sponsor promises a specified benefit on retirement that is predetermined by the scheme rules based on the employee's earnings history, length of service and age, instead of depending directly on investment returns.
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	This refers to the Group of companies that includes M&G plc, and its subsidiaries which include The Prudential Assurance Company Limited and M&G Group Limited.
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.

Term	Definition
International Financial Reporting Standards (IFRS)	International Financial Reporting Standards are accounting standards issued by the International Accounting Standards Board (IASB). All publicly listed groups in the European Union are required to apply IFRS in preparing consolidated financial statements. The Group's consolidated financial statements are prepared in accordance with IFRS as endorsed by the European Union.
Long-term incentive plan (LTIP)	The part of an executive's remuneration designed to incentivise long-term value for shareholders through an award of shares with vesting contingent on employment and the satisfaction of stretching performance conditions linked to the Group's strategy.
M&G Group Limited	(M&G Investments) 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 plc	M&G plc is a company incorporated and with its principal place of business in England. M&G plc and its affiliated companies constitute a savings and investments business. M&G plc is the direct parent company of The Prudential Assurance Company Limited and M&G Group Limited. Throughout this document, unless otherwise stated, the term "M&G plc" should be taken as a reference to the Group of companies that includes M&G plc, and its affiliated companies.
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.
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.
Parent Company	See M&G plc.
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.

Glossary (continued)

Term	Definition
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.
Restructuring costs	Restructuring costs primarily reflect costs associated with the Merger and Transformation Programme and rebranding and other change in control costs. These costs represent fundamental one-off Group-wide restructuring and transformation.
Rothesay Life	Rothesay Life plc.
Scottish Amicable Insurance Fund (SAIF)	SAIF is a ring-fenced sub-fund of The Prudential Assurance Company's long-term 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. The shareholder Solvency II coverage ratio is an alternative performance measure.
Solvency Capital Requirement (SCR)	Solvency Capital Requirement 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	The regime for the prudential regulation of European 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.
Thematic review of annuity sales practices (TRASP)	This review, conducted by the Financial Conduct Authority, assessed how firms provided information to customers, on a non advised basis, about shopping around for enhanced annuities.
Transitional measures on technical provisions (TMTP)	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.

Term	Definition
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 Fund	The Prudential Assurance Company'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. Generally, policyholder and shareholder participation in the with-profits funds in the UK is split in a 90:10 ratio.

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 period from 20 October 2019 to 31 December 2019, 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 2019 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 2020.

Signed on behalf of the Board of Directors

C Bousfield

Director

23 April 2020

Independent Auditor's Report

Report of the external independent auditor to the Directors of M&G plc ('the Company') pursuant to Rule 4.1 (2) of the External Audit Chapter 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 2019:

– 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 2019, ('**the Narrative Disclosures subject to audit'**); and

– Group templates S02.01.02, S22.01.22, S23.01.22 and 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 and 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 where disclosed;

– 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 2019 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 the Company 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 are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the Group Solvency and Financial Condition Report. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's and Group's business model, including the impact of Brexit, and analysed how those risks might affect the Company's and Group's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company or Group will continue in operation.

Independent Auditor's Report (continued)

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 further description of our responsibilities for the audit of the financial statements 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.

Daniel Cazeaux

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

23 April 2020

The maintenance and integrity of M&G plc's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of Solvency and Financial Reports may differ from legislation in other jurisdictions.

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

	Assets	Solvency II value C0010 £000s
R0030	Intangible assets	—
R0040	Deferred tax assets	813
R0050	Pension benefit surplus	40,801
R0060	Property, plant & equipment held for own use	337,171
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	155,240,866
R0080	Property (other than for own use)	11,871,513
R0090	Holdings in related undertakings, including participations	19,865,999
R0100	Equities	35,919,460
R0110	Equities - listed	35,913,423
R0120	Equities - unlisted	6,037
R0130	Bonds	70,590,946
R0140	Government Bonds	13,553,715
R0150	Corporate Bonds	52,531,605
R0160	Structured notes	—
R0170	Collateralised securities	4,505,626
R0180	Collective Investments Undertakings	11,880,026
R0190	Derivatives	3,845,049
R0200	Deposits other than cash equivalents	1,267,873
R0210	Other investments	—
R0220	Assets held for index-linked and unit-linked contracts	18,929,115
R0230	Loans and mortgages	15,559,269
R0240	Loans on policies	2,107
R0250	Loans and mortgages to individuals	1,611,718
R0260	Other loans and mortgages	13,945,444
R0270	Reinsurance recoverables from:	14,464,817
R0280	Non-life and health similar to non-life	145,313
R0290	Non-life excluding health	145,313
R0300	Health similar to non-life	—
R0310	Life and health similar to life, excluding index-linked and unit-linked	12,162,170
R0320	Health similar to life	(247)
R0330	Life excluding health and index-linked and unit-linked	12,162,417
R0340	Life index-linked and unit-linked	2,157,334
R0350	Deposits to cedants	—
R0360	Insurance and intermediaries receivables	21,151
R0370	Reinsurance receivables	18,659
R0380	Receivables (trade, not insurance)	1,041,785
R0390	Own shares (held directly)	25,723
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	—
R0410	Cash and cash equivalents	2,084,410
R0420	Any other assets, not elsewhere shown	—
R0500	**Total assets**	207,764,580

S.02.01.02 Balance Sheet

	Liabilities	Solvency II value C0010 £000s
R0510	Technical provisions - non-life	145,361
R0520	Technical provisions - non-life (excluding health)	145,361
R0530	TP calculated as a whole	—
R0540	Best Estimate	145,361
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)	152,225,895
R0610	Technical provisions - health (similar to life)	(2,798)
R0620	TP calculated as a whole	—
R0630	Best Estimate	(3,051)
R0640	Risk margin	253
R0650	Technical provisions - life (excluding health and index-linked and unit-linked)	152,228,693
R0660	TP calculated as a whole	—
R0670	Best Estimate	150,744,033
R0680	Risk margin	1,484,660
R0690	Technical provisions - index-linked and unit-linked	20,995,864
R0700	TP calculated as a whole	—
R0710	Best Estimate	20,944,972
R0720	Risk margin	50,892
R0740	Contingent liabilities	—
R0750	Provisions other than technical provisions	242,795
R0760	Pension benefit obligations	28,101
R0770	Deposits from reinsurers	230,502
R0780	Deferred tax liabilities	970,815
R0790	Derivatives	1,812,254
R0800	Debts owed to credit institutions	3,745,315
R0810	Financial liabilities other than debts owed to credit institutions	461,999
R0820	Insurance & intermediaries payables	707,748
R0830	Reinsurance payables	85,559
R0840	Payables (trade, not insurance)	3,569,468
R0850	Subordinated liabilities	3,762,228
R0860	*Subordinated liabilities not in BOF*	—
R0870	*Subordinated liabilities in BOF*	3,762,228
R0880	Any other liabilities, not elsewhere shown	—
R0900	**Total liabilities**	188,983,904
R1000	**Excess of assets over liabilities**	18,780,676

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: 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	—	—	—	(8,550)	—	—	—	(5,803)	—	—	—	—					(14,353)
R0320	Gross - Proportional reinsurance accepted	—	—	—	—	—	—	—	—	—	—	—	—					—
R0330	Gross - Non-proportional reinsurance accepted													—	—	—	—	—
R0340	Reinsurers' share	—	—	—	(8,550)	—	—	—	(5,803)	—	—	—	—	—	—	—	—	(14,353)
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	16,003	10,391,343	888,687	430,484	—	—	—	25,080	11,751,597
R1420	Reinsurers' share	(1,754)	(418)	(26,769)	143,321	—	—	—	(522)	113,858
R1500	Net	14,249	10,390,925	861,918	573,805	—	—	—	24,558	11,865,455
	Premiums earned									
R1510	Gross	16,003	10,391,343	888,687	430,484	—	—	—	25,080	11,751,597
R1520	Reinsurers' share	(1,754)	(940)	(26,769)	143,321	—	—	—	—	113,858
R1600	Net	14,249	10,390,403	861,918	573,805	—	—	—	25,080	11,865,455
	Claims incurred									
R1610	Gross	(5,418)	(8,333,014)	(3,337,316)	(3,346,968)	—	—	—	(62,425)	(15,085,141)
R1620	Reinsurers' share	2,964	1,073	47,527	1,751,613	—	—	—	845	1,804,022
R1700	Net	(2,454)	(8,331,941)	(3,289,789)	(1,595,355)	—	—	—	(61,580)	(13,281,119)
	Changes in other technical provisions									
R1710	Gross	7,122	(10,269,361)	6,726	103,475	—	—	—	(118,031)	(10,270,069)
R1720	Reinsurers' share	11,595	7	1,614	(1,106,992)	—	—	—	(1,010)	(1,094,786)
R1800	Net	18,717	(10,269,354)	8,340	(1,003,517)	—	—	—	(119,041)	(11,364,855)
R1900	**Expenses incurred**	(1,952)	(770,363)	(149,435)	(256,450)	—	—	—	(214)	(1,178,414)
R2500	**Other expenses**									88,714
R2600	**Total expenses**									(1,089,700)

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	173,367,120	2,766,099	—	—	2,909,753
Basic own funds	R0020	14,036,465	(1,249,069)	—	—	(1,477,397)
Eligible own funds to meet Solvency Capital Requirement	R0050	14,889,466	(1,249,069)	—	—	(1,477,397)
Solvency Capital Requirement	R0090	10,418,621	232,025	—	—	3,366,889

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	129,994	129,994		—	
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	13,223,009	13,223,009			
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	(2,596,582)	(2,596,582)			
Subordinated liabilities	R0140	3,762,228		—	3,762,228	—
Non-available subordinated liabilities at group level	R0150	—		—	—	—
An amount equal to the value of net deferred tax assets	R0160	813				813
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	853,001	853,001	—	—	—
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	853,001	853,001	—	—	—
Total basic own funds after deductions	R0290	14,036,465	10,273,424	—	3,762,228	813
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	769,897	769,897	—	—	
Institutions for occupational retirement provision	R0420	—	—	—	—	—
Non regulated entities carrying out financial activities	R0430	83,104	83,104	—	—	
Total own funds of other financial sectors	R0440	853,001	853,001	—	—	—
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	14,036,465	10,273,424	—	3,762,228	813

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	14,035,652	10,273,424	—	3,762,228	
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	14,036,465	10,273,424	—	3,762,228	813
Total eligible own funds to meet the minimum consolidated group SCR	R0570	10,773,714	10,273,424	—	500,290	
Minimum consolidated Group SCR	R0610	2,501,445				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	4.31				
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	14,889,466	11,126,425	—	3,762,228	813
Group SCR	R0680	10,418,621				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	1.43				
Reconciliation reserve						
Excess of assets over liabilities	R0700	18,780,676				
Own shares (held directly and indirectly)	R0710	25,723				
Foreseeable dividends, distributions and charges	R0720	—				
Other basic own fund items	R0730	13,723,820				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	7,627,715				
Other non available own funds	R0750	—				
Reconciliation reserve	R0760	(2,596,582)				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	R0770	139,514				
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	—				
Total Expected profits included in future premiums (EPIFP)	R0790	139,514				

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	**1,478,713**
104	Equity risk	**3,122,713**
106	Property risk	**1,441,726**
107	Spread risk	**5,566,157**
108	Concentration risk	**—**
109	Currency risk	**2,030,458**
110	Other market risk	**—**
199	Diversification within market risk	**(5,317,115)**
203	Other counterparty risk	**359,088**
299	Diversification within counterparty risk	**—**
301	Mortality risk	**25,242**
302	Longevity risk	**3,560,514**
303	Disability-morbidity risk	**30,429**
304	Mass lapse	**161,087**
305	Other lapse risk	**1,250,871**
306	Expense risk	**1,553,123**
308	Life catastrophe risk	**17,670**
309	Other life underwriting risk	**—**
399	Diversification within life underwriting risk	**(3,468,054)**
505	Other non-life underwriting risk	**—**
599	Diversification within non-life underwriting risk	**—**
701	Operational risk	**1,457,499**
801	Other risk	**—**
802	Loss-absorbing capacity of technical provisions	**—**
803	Loss-absorbing capacity of deferred tax	**(1,009,433)**
804	Other adjustments	**—**

S.25.03.22 Solvency Capital Requirement - for groups on Full Internal Models (Unaudited)

		C0100
		£000s
Total undiversified components	R0110	12,260,688
Diversification	R0060	(2,335,947)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	—
Solvency capital requirement excluding capital add-on	R0200	9,924,741
Capital add-ons already set	R0210	—
Solvency capital requirement	**R0220**	10,418,621
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	(19,429,861)
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	(1,009,433)
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	2,078,349
Total amount of Notional Solvency Capital Requirement for ring fenced funds	R0420	2,519,935
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	5,326,456
Diversification effects due to RFF nSCR aggregation for article 304	R0440	—
Minimum consolidated group solvency capital requirement	R0470	2,501,445
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	493,880
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	436,795
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	57,085
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%	Yes		Method 1: Full consolidation
AU	2138004GW3J6VILQSE49	LEI	PAP Trusty 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%	Yes		Method 1: Full consolidation
GB	549300Y26HER4GS3N207	LEI	Infracapital Partners II LP	Other	LP	Non-mutual		25.98%	25.98%	25.98%		Dominant	25.98%	Yes		Method 1: Adjusted equity method
LU	549300YUFF2S09Z74W50	LEI	M&G UK Residential Property Fund	Other	LP	Non-mutual		20.24%	20.24%	20.24%		Dominant	20.24%	Yes		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%	Yes		Method 1: Full consolidation
GB	213800NMT7KIZI54UZ47	LEI	Pacus (UK) Limited	Other	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		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%	Yes		Method 1: Full consolidation
GB	5493007NCUF32CEV5206	LEI	Infracapital Partners LP	Other	LP	Non-mutual		33.04%	33.04%	33.04%		Dominant	33.04%	Yes		Method 1: Adjusted equity method
GB	549300DN2BTJ8BY6XW35	LEI	Prudential Greenfield LP	Other	LP	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Adjusted equity method
GB	549300QCZ08083QNMD56	LEI	M&G UK Companies Financing Fund II LP	Other	LP	Non-mutual		48.32%	48.32%	48.32%		Dominant	48.32%	Yes		Method 1: Adjusted equity method
GB	549300VKEYCB6Q0MC874	LEI	Prudential/M&G UK Companies Financing Fund LP	Other	LP	Non-mutual		32.43%	32.43%	32.43%		Dominant	32.43%	Yes		Method 1: Adjusted equity method
IE	549300G2MFQ6ONSJ0W66	LEI	Folios III Designated Activity Company	Other	DAC	Non-mutual		49%	49%	49%		Dominant	49%	Yes		Method 1: Adjusted equity method
GB	549300MW6PSOJLF67Z41	LEI	M&G PFI partnership 2018 LP	Other	LP	Non-mutual		100%	100%	100%		Dominant	100%	Yes		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
IE	549300ZHKEZ LWLH2E469	LEI	Folios IV Designated Activity Company	Other	DAC	Non-mutual		77%	77%	77%		Dominant	77%	Yes		Method 1: Adjusted equity method
GB	549300I8LYOK 91HBX439	LEI	Prudential Distribution Limited	Other	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Adjusted equity method
GB	5493001GSK4 HF84IOB02	LEI	Prudential Lifetime Mortgages Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		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%	Yes		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%	Yes		Method 1: Full consolidation
GB	549300CWGK 2ZW5YDGJ27	LEI	Prudential Pensions Limited	Life undertakings	Ltd	Non-mutual	Prudential Regulation Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Full consolidation
LU	222100N879G X063S5I68	LEI	M&G UK Property Fund	Other	UT	Non-mutual		100%	100%	100%		Dominant	100%	Yes		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%	Yes		Method 1: Full consolidation
GB	2138009YMR1 CEO641146	LEI	Prudential Holborn Life Limited	Mixed financial holding company as defined in Art. 212(1) [h] of Directive 2009/138/EC	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Full consolidation
GB	213800CIQKF H6G68V891	LEI	Prudential Financial Planning Limited	Other	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		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%	Yes		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	100%	Yes		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%	Yes		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	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%	Yes		Method 1: Full consolidation
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%	Yes		Method 1: Sectoral rules
GB	2138008ZHA M1AWMXDI41	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%	Yes		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB50185	Specific Code	M&G Prudential 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%	Yes		Method 1: Full consolidation
GG	254900TWUJ UQ44TQJY84 GG50206	Specific Code	M&G Prudential Guernsey PCC Limited	Non-Life undertakings	Ltd	Non-mutual	Guernsey Financial Services Commission	100%	100%	100%		Dominant	100%	Yes		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84	LEI	M&G plc	Mixed-activity insurance holding company as defined in Art. 212(1) [g] of Directive 2009/138/EC	Plc	Non-mutual								Yes		Method 1: Full consolidation
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	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		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%	Yes		Method 1: Full consolidation
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%	Yes		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%	Yes		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%	Yes		Method 1: Proportional 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	254900TWUJ UQ44TQJY84 GB20079	Specific Code	Two Rivers 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%	Yes		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%	Yes		Method 1: Proportional consolidation
GB	254900TWUJ UQ44TQJY84 GB20134	Specific Code	Fort Kinnaird GP Ltd	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		50%	50%	50%		Significant	50%	Yes		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%	Yes		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%	Yes		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%	Yes		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%	Yes		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%	Yes		Method 1: Proportional consolidation
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%	Yes		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%	Yes		Method 1: Full consolidation
GB	54930078050 7A2BMZB54	LEI	M&G Real Estate UK Enhanced Value LP	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP	Non-mutual		50.1%	100%	50.14%		Dominant	100%	Yes		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: % 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	549300LJW34WAXTEOA73	LEI	M&G RE UKEV 1-A LP	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP	Non-mutual		50.14%	100%	50.14%		Dominant	100%	Yes		Method 1: Full consolidation
GB	549300WMS3GJ41QCBH92	LEI	Infracapital Greenfield Partners I LP	Other	LP	Non-mutual		21.97%	21.97%	21.97%		Dominant	21.97%	Yes		Method 1: Adjusted equity method
GB	254900TWUJUQ44TQJY84GB50126	Specific Code	Infracapital (TLSB) SLP LP	Other	LP	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Adjusted equity method
KY	254900TWUJUQ44TQJY84KY20131	Specific Code	ANRP II (AIV VI FC), L.P.	Other	LP	Non-mutual		42.69%	42.69%	42.69%		Significant	42.69%	Yes		Method 1: Adjusted equity method
US	254900TWUJUQ44TQJY84US30033	Specific Code	PPM America Private Equity Fund III LP	Other	LP	Non-mutual		49.75%	49.75%	49.75%		Significant	49.75%	Yes		Method 1: Adjusted equity method
US	254900TWUJUQ44TQJY84US30034	Specific Code	PPM America Private Equity Fund IV LP	Other	LP	Non-mutual		49.88%	49.88%	49.88%		Significant	49.88%	Yes		Method 1: Adjusted equity method
US	254900TWUJUQ44TQJY84US30036	Specific Code	PPM America Private Equity Fund V LP	Other	LP	Non-mutual		49.88%	49.88%	49.88%		Significant	49.88%	Yes		Method 1: Adjusted equity method
US	254900TWUJUQ44TQJY84US30060	Specific Code	PPM America Private Equity Fund VI LP	Other	LP	Non-mutual		39.91%	39.91%	39.91%		Significant	39.91%	Yes		Method 1: Adjusted equity method
US	254900TWUJUQ44TQJY84US30047	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%	Yes		Method 1: Adjusted equity method
US	254900TWUJUQ44TQJY84US30079	Specific Code	PPM America Private Equity Fund VII LP	Other	LP	Non-mutual		46%	46%	46%		Significant	46%	Yes		Method 1: Adjusted equity method
US	254900TWUJUQ44TQJY84US30068	Specific Code	Wynnefield Private Equity Partners II, L.P.	Other	LP	Non-mutual		99%	99%	99%		Dominant	99%	Yes		Method 1: Adjusted equity method
US	254900TWUJUQ44TQJY84US30046	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%	Yes		Method 1: Adjusted equity method
US	254900TWUJUQ44TQJY84US30049	Specific Code	Centre Capital Non-Qualified Investors IV, L.P.	Other	LP	Non-mutual		63.18%	63.18%	63.18%		Significant	63.18%	Yes		Method 1: Adjusted equity method
US	254900TWUJUQ44TQJY84US30050	Specific Code	Centre Capital Non-Qualified Investors V AIV-ELS LP	Other	LP	Non-mutual		57.68%	57.68%	57.68%		Significant	57.68%	Yes		Method 1: Adjusted equity method
US	254900TWUJUQ44TQJY84US30051	Specific Code	Centre Capital Non-Qualified Investors V LP	Other	LP	Non-mutual		61.1%	61.1%	61.1%		Significant	61.1%	Yes		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	213800NUKKCN5CSPTN32	LEI	Prudential Property 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%	Yes		Method 1: Full consolidation
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%	Yes		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%	Yes		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%	Yes		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%	Yes		Method 1: Full consolidation
LU	529900ABWG3G3W1BIX36	LEI	Two Snowhill Birmingham Sarl	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Sarl	Non-mutual		100%	100%	100%		Dominant	100%	Yes		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%	Yes		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20107	Specific Code	Cardinal Distribution Park Management Limited	Other	Ltd	Non-mutual		66%	66%	66%		Dominant	66%	Yes		Method 1: Adjusted equity method
GB	254900TWUJUQ44TQJY84GB20108	Specific Code	Sectordate Limited	Other	Ltd	Non-mutual		32.6%	32.6%	32.6%		Dominant	32.6%	Yes		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%	Yes		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%	Yes		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB50172	Specific Code	M&G Real Estate UKEV (GP) LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual		100%	100%	100%		Dominant	100%	Yes		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	254900TWUJ UQ44TQJY84 GB50174	Specific Code	M&G UKEV (SLP) LP	Credit institutions, investment firms and financial institutions	LP	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50175	Specific Code	M&G UKEV (SLP) General Partner LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	2138006UA6C YBYSPN279	LEI	Carraway Guildford General Partner Ltd	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB50176	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%	Yes		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB20135	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%	Yes		Method 1: Full consolidation
LU	254900TWUJ UQ44TQJY84L U20136	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%	Yes		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB20137	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%	Yes		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB20138	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%	Yes		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB20139	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%	Yes		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB20140	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%	Yes		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB20141	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%	Yes		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB20142	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%	Yes		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	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%	Yes		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%	100%		Dominant	100%	Yes		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%	Yes		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%	Yes		Method 1: Full consolidation
JE	254900TWUJUQ44TQJY84JE20146	Specific Code	Leadenhall Unit Trust	Other	UT	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Adjusted equity method
JE	254900TWUJUQ44TQJY84JE20147	Specific Code	Vanquish I Unit Trust	Other	UT	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Adjusted equity method
JE	254900TWUJUQ44TQJY84JE20148	Specific Code	Vanquish II Unit Trust	Other	UT	Non-mutual		100%	100%	100%		Dominant	100%	Yes		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%	Yes		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%	Yes		Method 1: Full consolidation
LU	254900TWUJUQ44TQJY84LU20080	Specific Code	Three Snowhill Birmingham Sarl	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Sarl	Non-mutual		100%	100%	100%		Dominant	100%	Yes		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%	Yes		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%	Yes		Method 1: Proportional 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	254900TWUJ UQ44TQJY84 GB20097	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%	Yes		Method 1: Proportional consolidation
GB	254900TWUJ UQ44TQJY84 GB20098	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%	Yes		Method 1: Proportional consolidation
GB	254900TWUJ UQ44TQJY84 GB20099	Specific Code	Cribbs Causeway Merchants Association Ltd	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		11.54%	100%	11.54%		Significant	100%	Yes		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB20101	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%	Yes		Method 1: Proportional consolidation
GB	254900TWUJ UQ44TQJY84 GB20102	Specific Code	Oaktree Business Park Limited	Other	Ltd	Non-mutual		14.29%	14.29%	100%		Dominant	14.29%	Yes		Method 1: Adjusted equity method
US	254900TWUJ UQ44TQJY84 US20106	Specific Code	SM, LLC	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LLC	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Full consolidation
JE	254900TWUJ UQ44TQJY84J E10016	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%	Yes		Method 1: Full consolidation
JE	254900TWUJ UQ44TQJY84J E10017	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%	Yes		Method 1: Full consolidation
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%	Yes		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%	Yes		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%	Yes		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%	Yes		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: % 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
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%	Yes		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%	Yes		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%	Yes		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%	Yes		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%	Yes		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%	Yes		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%	63.1%		Dominant	100%	Yes		Method 1: Full consolidation
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%	Yes		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%	Yes		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%	Yes		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%	Yes		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
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%	Yes		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%	Yes		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%	Yes		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%	Yes		Method 1: Full consolidation
LU	254900X2R2M 2HU17U040	LEI	Prudential Credit Opportunities SCSp	Other	SCSp	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Adjusted equity method
LU	254900TWUJ UQ44TQJY84L U20068	Specific Code	Prudential Credit Opportunities 1 SARL	Other	Sarl	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Adjusted equity method
LU	222100DYHNY VU5OHZ592	LEI	Prudential Loan Investments 1 S.a.r.l	Other	Sarl	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Adjusted equity method
LU	222100I72T0C 6YY58X29	LEI	Prudential Loan Investments SCSp	Other	SCSp	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Adjusted equity method
GB	21380029W1Q O8XLI7X06	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%	Yes		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB20009	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%	Yes		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB20010	Specific Code	ScotAm Pension Trustees Limited	Other	Ltd	Non-mutual		100%	100%	100%		Significant	100%	Yes		Method 1: Adjusted equity method
GB	254900TWUJ UQ44TQJY84 GB20126	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%	Yes		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	254900TWUJ UQ44TQJY84 GB20127	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%	Yes		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB20128	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%	Yes		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB20129	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%	Yes		Method 1: Full consolidation
GB	213800OC9A O58CFCB338	LEI	M&G Group Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800UYEBF L3JUBR159	LEI	Holborn Bars Nominees Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
JP	254900TWUJ UQ44TQJY84J P50109	Specific Code	M&G Investments Japan Co., Ltd.	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
ES	254900TWUJ UQ44TQJY84E S50116	Specific Code	M&G RE Espana 2016 S.L.	Credit institutions, investment firms and financial institutions	S.L.	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50016	Specific Code	Infracapital (Bio) GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50117	Specific Code	Genny GP 2 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50118	Specific Code	Genny GP 1 LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50119	Specific Code	Infracapital (IT PPP) GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
IE	254900TWUJ UQ44TQJY84I E50121	Specific Code	PGF Management Company (Ireland) Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	50%	50%	50%		Significant	50%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50122	Specific Code	Infracapital (AIRI) GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50123	Specific Code	Infracapital (Sense) GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50133	Specific Code	Infracapital Greenfield Partners I GP LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		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	213800KK1VVI7BVEUZ22	LEI	PPM Managers Partnership CI VII (A) LP	Credit institutions, investment firms and financial institutions	LP	Non-mutual	Financial Conduct Authority	25%	25%	25%		Significant	25%	Yes		Method 1: Sectoral rules
GB	2138007GGNZ7CY3HQ568	LEI	M&G RED II SLP LP	Credit institutions, investment firms and financial institutions	LP	Non-mutual	Financial Conduct Authority	28%	28%	28%		Significant	28%	Yes		Method 1: Sectoral rules
GB	213800ORMGBX88UTID14	LEI	Infracapital (GC) GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	2138006NEQ1QFBN5P262	LEI	M&G RED III SLP LP	Credit institutions, investment firms and financial institutions	LP	Non-mutual	Financial Conduct Authority	25%	25%	25%		Significant	25%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50138	Specific Code	M&G PFI Carry Partnership 2016 LP	Credit institutions, investment firms and financial institutions	LP	Non-mutual	Financial Conduct Authority	25%	25%	25%		Significant	25%	Yes		Method 1: Sectoral rules
GB	213800DJO6UH75ALMK76	LEI	Infracapital SLP II LP	Credit institutions, investment firms and financial institutions	LP	Non-mutual	Financial Conduct Authority	40.4%	40.4%	40.4%		Dominant	40.4%	Yes		Method 1: Sectoral rules
LU	254900TWUJUQ44TQJY84LU50141	Specific Code	M&G International Investments SA	Credit institutions, investment firms and financial institutions	SA	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50142	Specific Code	Infracapital Greenfield Partners 1 SLP GP1 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50143	Specific Code	Digital Infrastructure Investment Partners GP LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	65%	65%	65%		Dominant	65%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50144	Specific Code	Digital Infrastructure Investment Partners GP1 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50145	Specific Code	Digital Infrastructure Investment Partners SLP GP LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50146	Specific Code	Digital Infrastructure Investment Partners SLP GP1 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800I6MY8I5RZE3H33	LEI	Infracapital (TLSB) GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50147	Specific Code	Digital Infrastructure Investment Partners SLP GP2 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		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	254900TWUJUQ44TQJY84GB50148	Specific Code	Green GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50149	Specific Code	Infracapital Greenfield Partners I SLP EF GP LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50150	Specific Code	Infracapital Greenfield Partners 1 SLP GP2 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50151	Specific Code	Infracapital Greenfield Partners I Employee Feeder GP LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
LU	254900TWUJUQ44TQJY84LU50152	Specific Code	Infracapital Partners III GP S.à r.l	Credit institutions, investment firms and financial institutions	Sarl	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50153	Specific Code	Infracapital RF GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
LU	213800KHFEP1L58PDC25	LEI	M&G Luxembourg S.A.	Credit institutions, investment firms and financial institutions	SA	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50155	Specific Code	Embankment GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50156	Specific Code	Embankment Nominee 1 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50157	Specific Code	Embankment Nominee 2 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50163	Specific Code	George Digital GP 1 LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50164	Specific Code	Infracapital Partners II Subholdings GP LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50165	Specific Code	Infracapital Greenfield Partners I Subholdings GP LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50166	Specific Code	Infracapital Greenfield Partners I SLP2 GP LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50167	Specific Code	Infracapital Greenfield DF GP LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		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	254900TWUJ UQ44TQJY84 GB50168	Specific Code	London Stone Investments F3 SP GP LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50169	Specific Code	London Stone Investments F3 Employee Feeder GP LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50170	Specific Code	London Stone Investments F3 I Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50171	Specific Code	London Stone Investments F3 II Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800CQFEQ H988QFA95	LEI	Infracapital CI II Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50158	Specific Code	Infracapital (Belmond) GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50159	Specific Code	George Digital GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50160	Specific Code	George Digital GP 2 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50161	Specific Code	Infracapital Greenfield Partners I Subholdings GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50162	Specific Code	Infracapital Partners II Subholdings GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB20130	Specific Code	Edinburgh Park (Management) Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Significant	100%	Yes		Method 1: Sectoral rules
GB	5493008V2FT 9PTFUYH27	LEI	M&G Investment Funds (10) - M&G Absolute Return Bond Fund	Credit institutions, investment firms and financial institutions	OEIC	Non-mutual	Financial Conduct Authority	31.67%	31.67%	31.67%		Dominant	31.67%	Yes		Method 1: Sectoral rules
GB	213800RS1K1A LXHQSM37	LEI	Infracapital DF II GP LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50177	Specific Code	M&G PFI 2018 GP LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50178	Specific Code	M&G PFI 2018 GP1 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		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	254900TWUJ UQ44TQJY84 GB50179	Specific Code	M&G PFI 2018 GP2 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50180	Specific Code	Selly Oak Shopping Park (Nominee 1) Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50181	Specific Code	Selly Oak Shopping Park (Nominee 2) Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50182	Specific Code	Innisfree M&G PPP LP	Credit institutions, investment firms and financial institutions	LP	Non-mutual	Financial Conduct Authority	62.22%	62.22%	62.22%		Dominant	62.22%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50187	Specific Code	Infracapital (Churchill) GP 1 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50188	Specific Code	Infracapital (Churchill) GP LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800G4AW 9FIOTNDW05	LEI	Infracapital DF II Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50189	Specific Code	Infracapital (Gigaclear) GP 1 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50190	Specific Code	Infracapital (Gigaclear) GP 2 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50191	Specific Code	Infracapital (Gigaclear) GP LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50192	Specific Code	Infracapital (Leo) GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50193	Specific Code	Infracapital Partners III Subholdings (Euro) GP LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50194	Specific Code	Infracapital Partners III Subholdings (Sterling) GP LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50195	Specific Code	Infracapital Partners III Subholdings GP1 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50196	Specific Code	Infracapital Partners III Subholdings GP2 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
US	254900TWUJ UQ44TQJY84 US50197	Specific Code	M&G Investments (Americas) Inc.	Credit institutions, investment firms and financial institutions	Inc	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		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
AU	254900TWUJUQ44TQJY84AU50198	Specific Code	M&G Investments (Australia) Pty Ltd	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800HCVFJDNNWBJV60	LEI	Infracapital Employee Feeder GP 1 LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
LU	254900TWUJUQ44TQJY84LU50199	Specific Code	M&G SFF (GP) Sárl	Credit institutions, investment firms and financial institutions	Sarl	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
LU	254900TWUJUQ44TQJY84LU50200	Specific Code	M&G SFF (CIP GP) Sárl	Credit institutions, investment firms and financial institutions	Sarl	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50201	Specific Code	M&G RE UKEV (GP1) LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
LU	254900TWUJUQ44TQJY84LU50105	Specific Code	Prudential Credit Opportunities GP SARL	Credit institutions, investment firms and financial institutions	Sarl	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
LU	254900TWUJUQ44TQJY84LU50140	Specific Code	Prudential Loan Investments GP S.a.r.l	Credit institutions, investment firms and financial institutions	Sarl	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50202	Specific Code	GS R100 GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50203	Specific Code	Infracapital Greenfield Partners I Employee Feeder LP	Credit institutions, investment firms and financial institutions	LP	Non-mutual	Financial Conduct Authority	76.1%	76.1%	76.1%		Dominant	76.1%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50204	Specific Code	Infracapital Greenfield Partners I SLP LP	Credit institutions, investment firms and financial institutions	LP	Non-mutual	Financial Conduct Authority	36.3%	36.3%	36.3%		Dominant	36.3%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50205	Specific Code	Infracapital Greenfield Partners I SLP2 LP	Credit institutions, investment firms and financial institutions	LP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50207	Specific Code	M&G RE UKEV 1 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50025	Specific Code	Infracapital SLP EF II GP LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50208	Specific Code	Infracapital (Novos) GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
LU	254900TWUJUQ44TQJY84LU50209	Specific Code	Infracapital Greenfield Partners II GP S.à r.l	Credit institutions, investment firms and financial institutions	Sarl	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		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	254900TWUJ UQ44TQJY84 GB50210	Specific Code	Infracapital Greenfield Partners II Subholdings GP1 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50211	Specific Code	Infracapital Greenfield Partners II Subholdings GP2 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50212	Specific Code	London Green Investment II SLP2 GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50213	Specific Code	Highcross Leicester (GP) Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	50%	50%	50%		Significant	50%	Yes		Method 1: Sectoral rules
US	254900TWUJ UQ44TQJY84 US50214	Specific Code	M&G Investments (USA) Inc	Credit institutions, investment firms and financial institutions	Inc	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50215	Specific Code	M&G UK Shared Ownership Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800AWCA E4VVCEL975	LEI	Calvin F1 GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	2138002RFR4 BTEF7YU47	LEI	Infracapital Employee Feeder GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800P1OW QBRFI24Y37	LEI	Infracapital F1 GP2 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	2138005WNC QJ92OOSA81	LEI	Infracapital F2 GP1 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	2138001NDC2 CXRVBQK60	LEI	Infracapital F2 GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800OB4PR 94BXKJ236	LEI	Infracapital GP 1 LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800W58W BW4ET22C95	LEI	Infracapital GP 2 LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800MVIYW DQVRLI823	LEI	Infracapital GP II Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800JRZM7 2UGV6CI51	LEI	Infracapital GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		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	254900TWUJUQ44TQJY84GB50034	Specific Code	Infracapital Greenfield Partners I GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50035	Specific Code	Infracapital Greenfield Partners I GP 2 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	2138005H14DX6EAFKP36	LEI	Calvin F2 GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50041	Specific Code	Infracapital Sisu GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800W6RS27X7GKKN30	LEI	Infracapital SLP II GP LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800487VRYDWHTPP07	LEI	Infracapital SLP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	2138007725YD65U15F53	LEI	Innisfree M&G PPP LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	35%	35%	35%		Significant	35%	Yes		Method 1: Sectoral rules
GG	213800BKDGDFPWZ9I567	LEI	M&G (Guernsey) Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	549300ZIIULAZVZYPH61	LEI	M&G Alternatives Investment Management Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
JE	213800XWJKMTGW5FFF24	LEI	Canada Property (Trustee) No 1 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	549300FZ6A1KPBVDIL49	LEI	M&G Financial Services Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800R8L6E3XPVVFL89	LEI	M&G Founders 1 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
KY	254900TWUJUQ44TQJY84KY50049	Specific Code	M&G General Partner Inc.	Credit institutions, investment firms and financial institutions	Inc	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800KJZSL1C19HEC43	LEI	M&G IMPPP 1 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50052	Specific Code	M&G International Investments Nominees Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		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
CH	213800W2WT4VU6ZYLQ18	LEI	M&G International Investments Switzerland AG	Credit institutions, investment firms and financial institutions	AG	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	BFM4HY1ZHOCH3K3E4934	LEI	M&G Investment Management Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
HK	213800ES49236T3NQN10	LEI	M&G Investments (Hong Kong) Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
SG	21380025WDEGTPM9NX11	LEI	M&G Investments (Singapore) Pte. Ltd.	Credit institutions, investment firms and financial institutions	Pte Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800JPPWE5YGH42O41	LEI	Canada Property Holdings Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800TFNC2ZYHSGTN11	LEI	M&G FA Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800QNOSWGOPB5UV85	LEI	M&G Management Services Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800G466CCYQACXV49	LEI	M&G Nominees Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800E1NPBH4KN1B443	LEI	M&G Platform Nominees Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
SG	254900TWUJUQ44TQJY84SG50062	Specific Code	M&G Real Estate Asia Holding Company Pte. Ltd	Credit institutions, investment firms and financial institutions	Pte Ltd	Non-mutual	Financial Conduct Authority	67%	67%	67%		Dominant	67%	Yes		Method 1: Sectoral rules
SG	213800FAISWOSU2EQK07	LEI	M&G Real Estate Asia PTE. Ltd	Credit institutions, investment firms and financial institutions	Pte Ltd	Non-mutual	Financial Conduct Authority	67%	67%	67%		Dominant	67%	Yes		Method 1: Sectoral rules
LU	213800Z48ASVKSJTGD29	LEI	M&G Real Estate Funds Management S.à r.l.	Credit institutions, investment firms and financial institutions	Sarl	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
JP	213800VTT28ET4O1PV50	LEI	M&G Real Estate Japan Co. Ltd	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
KR	213800ZFUE19ABTOJS32	LEI	M&G Real Estate Korea Co. Ltd	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	67%	67%	67%		Dominant	67%	Yes		Method 1: Sectoral rules
GB	213800WR9O2VZ41XUX41	LEI	Falan GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		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	2138006D2BQB3YVJTC36	LEI	M&G Real Estate Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800PIXU3LZHV2BH48	LEI	M&G RED II Employee Feeder GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GG	213800Y7KFRATZJWC561	LEI	M&G RED II GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	2138006PPJJMAIS2CZ55	LEI	M&G RED II SLP GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800IAVVN6BAG5IH60	LEI	M&G RED III Employee Feeder GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GG	2138009UE5XKGEEHPU69	LEI	M&G RED III GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800Q1F9BIQYP4QU18	LEI	M&G RED III SLP GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800XSQZKI3OYTHK77	LEI	Greenpark (Reading) General Partner Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800EJI6R6NCE8OL35	LEI	M&G RPF GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800RPN1JJWLQAHF37	LEI	M&G RPF Nominee 1 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800CE63B2HUDSOH12	LEI	M&G RPF Nominee 2 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	5493001JY2KC4SJGF862	LEI	M&G Securities Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
IE	213800YJG88GK1ZGI781	LEI	M&G SIF Management Company (Ireland) Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800YHDS1MJDDQAY31	LEI	M&G UK Property GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800YODYXTA14V3G51	LEI	M&G UK Property Nominee 1 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800CK6NBVYIQNNG81	LEI	M&G UK Property Nominee 2 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		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	213800B18GD 1VUW66137	LEI	M&G UKCF II GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800IJ1DJ1 A8SPRW13	LEI	PPM Capital (Holdings) Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800OZGF W18S2KPG35	LEI	Greenpark (Reading) Nominee No. 1 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	2138008EIWH 2HN5RNH61	LEI	PPM Managers GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
HK	213800XHPO MVNJNNRG37	LEI	PPM Ventures (Asia) Limited (In liquidation)	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800CPRC1 XNAIMP376	LEI	Prudential / M&G UKCF GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800Y2L3Q QS5JAGC68	LEI	Prudential GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	21380059C3D LSM1MGQ63	LEI	Prudential Greenfield GP LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800JN6JC W3GKS5413	LEI	Prudential Greenfield GP1 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	21380032Y83 D1GVVRG14	LEI	Prudential Greenfield GP2 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800KXAX5 G69OQTW74	LEI	Prudential Greenfield SLP GP LLP	Credit institutions, investment firms and financial institutions	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
ZA	254900TWUJ UQ44TQJY84Z A50095	Specific Code	Prudential Portfolio Managers (South Africa) (Pty) Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	49.99%	49.99%	49.99%		Significant	49.99%	Yes		Method 1: Sectoral rules
GB	213800SM1K5 5IRFQEA45	LEI	Prudential Property Investment Managers Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800JKLIPK 3IAYFX44	LEI	Greenpark (Reading) Nominee No. 2 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800N48QE 66BJB2G59	LEI	Prudential Trustee Company Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		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	549300VDPV8 QUEZVO116	LEI	Prudential Unit Trusts Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800ZUZ86 J3YECM477	LEI	Rift GP 1 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800J3OW7 78T7ZOZ61	LEI	Rift GP 2 Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	2138006L3KIE QC6REU54	LEI	Stableview Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800HRBQV XRWD41A27	LEI	Staple Nominees Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800P1BOX LGXP35370	LEI	First British Fixed Trust Company Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJ UQ44TQJY84 GB50107	Specific Code	Genny GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800YQHBR CIZKMPL71	LEI	GGE GP Limited	Credit institutions, investment firms and financial institutions	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		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%	Yes		Method 1: Full consolidation
GB	5493002C5QL MYRKL5W76	LEI	The Greenpark (Reading) LP	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Full consolidation
GB	549300E9W6 3X1E5A3N24	LEI	M&G Credit Income Investment Trust plc	Other	PLC	Non-mutual		24.09%	24.09%	24.09%		Dominant	24.09%	Yes		Method 1: Adjusted equity method
GB	549300THPKS TF3PVJH59	LEI	LF Prudential European QIS Fund	Other	QIS	Non-mutual		91.99%	91.99%	91.99%		Dominant	91.99%	Yes		Method 1: Adjusted equity method
LU	5493007H6U0 V9QP44023	LEI	M&G European Credit Investment Fund	Other	SICAV-FIS	Non-mutual		20.02%	20.02%	20.02%		Dominant	20.02%	Yes		Method 1: Adjusted equity method
LU	549300FLN5Q WVQGRGQ35	LEI	M&G European Property Fund SICAV-FIS	Other	SICAV-FIS	Non-mutual		39.58%	39.58%	39.58%		Dominant	39.58%	Yes		Method 1: Adjusted equity method
LU	549300GTB43 5DIFOTP40	LEI	M&G Asia Property Fund	Other	SICAV-FIS	Non-mutual		55.43%	55.43%	55.43%		Dominant	55.43%	Yes		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
GB	549300FOCI4 SMOSPII72	LEI	Prudential Dynamic Focused 20 - 55 Portfolio	Other	OEIC	Non-mutual		26.72%	26.72%	26.72%		Dominant	26.72%	Yes		Method 1: Adjusted equity method
LU	549300FH80N GSGJZ6T14	LEI	M&G European High Yield Credit Investment Fund	Other	Part I UCITS SICAV	Non-mutual		75.12%	75.12%	75.12%		Dominant	75.12%	Yes		Method 1: Adjusted equity method
LU	549300IYMZO MGU289Y25	LEI	Eastspring Investments - Asian Local Bond Fund	Other	SICAV-FIS	Non-mutual		97.15%	97.15%	97.15%		Dominant	97.15%	Yes		Method 1: Adjusted equity method
GB	549300N9SN UAIFOYDI51	LEI	LF Prudential Pacific Markets Trust Fund	Other	UT	Non-mutual		98.32%	98.32%	98.32%		Dominant	98.32%	Yes		Method 1: Adjusted equity method
LU	5493008KPE4 3OH6L0B76	LEI	Eastspring Investments - Asian Smaller Companies Fund	Other	SICAV-FIS	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Adjusted equity method
LU	549300T9BUR P81FE3140	LEI	Eastspring Investments - Asian Total Return Bond Fund	Other	SICAV-FIS	Non-mutual		99.5%	99.5%	99.5%		Dominant	99.5%	Yes		Method 1: Adjusted equity method
LU	549300WH17 GSWHDDF354	LEI	Eastspring Investments - Global Emerging Markets Customized Equity Fund	Other	SICAV-FIS	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Adjusted equity method
LU	549300PRNN1 UOMEMAD71	LEI	Eastspring Investments - Global Emerging Markets Dynamic Fund	Other	SICAV-FIS	Non-mutual		97.61%	97.61%	97.61%		Dominant	97.61%	Yes		Method 1: Adjusted equity method
LU	254900TWUJ UQ44TQJY84L U60013	Specific Code	Eastspring Investments US Equity Income Fund	Other	SICAV-FIS	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Adjusted equity method
US	549300MC391 85L8C1I66	LEI	PPM Funds - PPM High Yield Core Fund	Other	OEIC	Non-mutual		99.71%	99.71%	99.71%		Dominant	99.71%	Yes		Method 1: Adjusted equity method
US	549300S20UR PR4QXG352	LEI	PPM Funds - PPM Floating Rate Income Fund	Other	OEIC	Non-mutual		94.91%	94.91%	94.91%		Dominant	94.91%	Yes		Method 1: Adjusted equity method
LU	549300HP3C5 DFZ03MY20	LEI	Eastspring Investments - Japan Equity Fund	Other	SICAV-FIS	Non-mutual		86.92%	86.92%	86.92%		Dominant	86.92%	Yes		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	254900TWUJUQ44TQJY84LU60016	Specific Code	Eastspring Investments SICAV-FIS Africa Equity Fund	Other	SICAV-FIS	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Adjusted equity method
LU	549300I12ZNRM45WN289	LEI	Eastspring Investments - Developed and Emerging Asia Equity Fund	Other	SICAV-FIS	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Adjusted equity method
LU	5493000SLUS5IG5VX635	LEI	Eastspring Investments Asian Bond Fund	Other	SICAV-FIS	Non-mutual		35.73%	35.73%	35.73%		Dominant	35.73%	Yes		Method 1: Adjusted equity method
IE	254900TWUJUQ44TQJY84IE60029	Specific Code	M&G European Loan Fund Ltd	Other	Ltd	Non-mutual		26.14%	26.14%	26.14%		Dominant	26.14%	Yes		Method 1: Adjusted equity method
GB	549300EEGS1MD54C4S40	LEI	M&G Pan European Select Smaller Companies	Other	OEIC	Non-mutual		26.64%	26.64%	26.64%		Dominant	26.64%	Yes		Method 1: Adjusted equity method
US	549300N8PLGO2TMWMJ05	LEI	PPM Funds - PPM Small Cap Value Fund	Other	OEIC	Non-mutual		86.1%	86.1%	86.1%		Dominant	86.1%	Yes		Method 1: Adjusted equity method
GB	5493004JH8VRBPCP8118	LEI	M&G Sustainable Multi Asset Fund	Other	OEIC	Non-mutual	Financial Conduct Authority	88.52%	88.52%	88.52%		Dominant	88.52%	Yes		Method 1: Adjusted equity method
LU	5493008Y5DKL2XNZ4B15	LEI	Eastspring Investments - Japan Smaller Companies Fund	Other	SICAV-FIS	Non-mutual		59.67%	59.67%	59.67%		Dominant	59.67%	Yes		Method 1: Adjusted equity method
IE	5493006LDY5I4K1U7Y37	LEI	Lion Credit Opportunity Fund plc - Credit Opportunity Fund XV	Other	PLC	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Adjusted equity method
GB	5493002LPXH8M4JBJ851	LEI	LF Prudential Japanese QIS Fund	Other	QIS	Non-mutual		98.02%	98.02%	98.02%		Dominant	98.02%	Yes		Method 1: Adjusted equity method
GB	549300KBTRWWDKVVOJ54	LEI	M&G Dividend Fund	Other	OEIC	Non-mutual		55.87%	55.87%	55.87%		Dominant	55.87%	Yes		Method 1: Adjusted equity method
GB	549300M1TZWEHJE37C20	LEI	M&G European Select Fund	Other	OEIC	Non-mutual		38.74%	38.74%	38.74%		Dominant	38.74%	Yes		Method 1: Adjusted equity method
GB	549300JXS02SDDJZHX04	LEI	M&G Gilt & Fixed Interest Income Fund	Other	OEIC	Non-mutual		57.69%	57.69%	57.69%		Dominant	57.69%	Yes		Method 1: Adjusted equity method
GB	549300DWKPOX3P1RIJ10	LEI	LF Prudential North American QIS Fund	Other	QIS	Non-mutual		96.07%	96.07%	96.07%		Dominant	96.07%	Yes		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
GG	549300FEFNTKM50NRC34	LEI	The Car Auction Unit Trust	Other	UT	Non-mutual		50%	50%	50%		Dominant	50%	Yes		Method 1: Adjusted equity method
GB	549300TF2NQX3VRVQR58	LEI	M&G Corporate Bond Fund	Other	UT	Non-mutual		32.86%	32.86%	32.86%		Dominant	32.86%	Yes		Method 1: Adjusted equity method
GB	549300441KA9G1F3EG24	LEI	M&G Investment Funds (10) - M&G Positive Impact Fund	Other	OEIC	Non-mutual		54.66%	54.66%	54.66%		Dominant	54.66%	Yes		Method 1: Adjusted equity method
GB	549300T4PWVN5LFO1U25	LEI	M&G Investment Funds (7) - M&G Global Convertibles Fund	Other	OEIC	Non-mutual		65.32%	65.32%	65.32%		Dominant	65.32%	Yes		Method 1: Adjusted equity method
GB	5493001XMX756I8DDX84	LEI	M&G Investment Funds (4) - M&G Episode Allocation Fund	Other	OEIC	Non-mutual		22.77%	22.77%	22.77%		Significant	22.77%	Yes		Method 1: Adjusted equity method
GB	549300DJ43QIH72GYQ52	LEI	LF Prudential UK Growth QIS Fund	Other	QIS	Non-mutual		97.36%	97.36%	97.36%		Dominant	97.36%	Yes		Method 1: Adjusted equity method
GB	213800OYKACAA223KA89	LEI	Invesco Managed Growth Fund (UK)	Other	OEIC	Non-mutual		22.13%	22.13%	22.13%		Significant	22.13%	Yes		Method 1: Adjusted equity method
GB	549300FZHTWLMXZSKV71	LEI	M&G Smaller Companies Fund	Other	OEIC	Non-mutual	Financial Conduct Authority	42.48%	42.48%	42.48%		Dominant	42.48%	Yes		Method 1: Adjusted equity method
GB	549300Y6XORUIOJCN851	LEI	M&G Property Portfolio PAIF	Other	OEIC	Non-mutual	Financial Conduct Authority	20.82%	20.82%	20.82%		Significant	20.82%	Yes		Method 1: Adjusted equity method
GB	5493006Y42NL3VIZDX15	LEI	Prudential Dynamic Focused 0-30 Portfolio	Other	OEIC	Non-mutual		52.14%	52.14%	52.14%		Dominant	52.14%	Yes		Method 1: Adjusted equity method
GB	549300LQFO5UKO80O650	LEI	Prudential Dynamic 40-80 Portfolio	Other	OEIC	Non-mutual		31.94%	31.94%	31.94%		Dominant	31.94%	Yes		Method 1: Adjusted equity method
GB	5493006W7LY28KGUSB46	LEI	Prudential Dynamic 20-55 Portfolio	Other	OEIC	Non-mutual		31.33%	31.33%	31.33%		Dominant	31.33%	Yes		Method 1: Adjusted equity method
GB	549300UI6ET9TLZ65L17	LEI	Prudential Dynamic 60-100 Portfolio	Other	OEIC	Non-mutual		28.71%	28.71%	28.71%		Dominant	28.71%	Yes		Method 1: Adjusted equity method
GB	549300U1Z88JJD6OW296	LEI	Prudential Dynamic 10-40 Portfolio	Other	OEIC	Non-mutual		31.79%	31.79%	31.79%		Dominant	31.79%	Yes		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
GB	549300Q0ZPR DES44QI46	LEI	Prudential Dynamic 0-30 Portfolio	Other	OEIC	Non-mutual		20.12%	20.12%	20.12%		Significant	20.12%	Yes		Method 1: Adjusted equity method
GB	254900TWUJ UQ44TQJY84 GB50184	Specific Code	M&G Prudential (Holdings) Limited	Mixed financial holding company as defined in Art. 212(1) [h] of Directive 2009/138/EC	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB40021	Specific Code	M&G Group Regulated Entity Holding Company Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		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%	Yes		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%	Yes		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB40023	Specific Code	Prudential 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%	Yes		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%	Yes		Method 1: Full consolidation
GB	254900TWUJ UQ44TQJY84 GB40010	Specific Code	Prudential Staff Pensions Limited	Other	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		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%	Yes		Method 1: Full consolidation
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%	Yes		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%	Yes		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%	Yes		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	8IUGZ4RSNMJ G05397M84	LEI	The Prudential Assurance Company Limited	Life undertakings	Ltd	Non-mutual	Prudential Regulation Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Full consolidation
IE	635400T4W5 MRQTBLGQ38	LEI	Prudential International Assurance plc	Life undertakings	PLC	Non-mutual	Central Bank of Ireland	100%	100%	100%		Dominant	100%	Yes		Method 1: Full consolidation