



## **M&G plc**

**Single Group Solvency and Financial Condition Report**

**31 December 2022**

## Table of Contents

<b>Summary</b>	<u>4</u>
<b>A Business and performance</b>	<u>10</u>
A.1 Business	<u>10</u>
A.2 Underwriting performance	<u>16</u>
A.3 Investment performance	<u>18</u>
A.4 Performance of other activities	<u>19</u>
A.5 Any other information	<u>21</u>
<b>B System of governance</b>	<u>29</u>
B.1 General information on the system of governance	<u>29</u>
B.2 Fit and proper requirements	<u>37</u>
B.3 Risk management system including the Own Risk and Solvency Assessment	<u>38</u>
B.4 Internal control system	<u>42</u>
B.5 Internal Audit Function	<u>43</u>
B.6 Actuarial Function	<u>43</u>
B.7 Outsourcing	<u>44</u>
B.8 Any other information	<u>45</u>
<b>C Risk profile</b>	<u>46</u>
C.1 Underwriting risk	<u>47</u>
C.2 Market risk	<u>49</u>
C.3 Credit and counterparty risk	<u>51</u>
C.4 Treasury Liquidity risk	<u>53</u>
C.5 Operational risk	<u>54</u>
C.6 Other material risks	<u>55</u>
C.7 Any other information	<u>57</u>
<b>D Valuation for solvency purposes</b>	<u>61</u>
D.1 Valuation of assets	<u>66</u>
D.2 Technical provisions	<u>72</u>
D.3 Valuation of other liabilities	<u>82</u>
D.4 Alternative methods for valuation	<u>89</u>
D.5 Material differences in solvency valuation between the Group and its subsidiaries	<u>89</u>
D.6 Any other information	<u>89</u>
<b>E Capital management</b>	<u>90</u>
E.1 Own funds	<u>90</u>
E.2 Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)	<u>101</u>
E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR	<u>107</u>
E.4 Group Internal Model	<u>108</u>
E.5 Non-compliance with the MCR and the SCR	<u>110</u>
E.6 Any other information	<u>110</u>
<b>Glossary</b>	<u>111</u>
<b>Statement of directors' responsibilities</b>	<u>114</u>
<b>Independent Auditor's Report</b>	<u>115</u>
<b>Quantitative Reporting Templates (QRTs)</b>	<u>119</u>
S.02.01.02 Balance Sheet - Group	<u>119</u>
S.05.01.02 Premiums claims and expenses by line of business - Group	<u>121</u>
S.22.01.22 Impact of long term guarantees measures and transitionals - Group	<u>123</u>
S.23.01.22 Own Funds - Group	<u>124</u>
S.25.03.22 Solvency Capital Requirement - Group	<u>127</u>
S.32.01.22 Undertakings in the scope of Group	<u>129</u>
S.02.01.02 Balance Sheet - PAC	<u>163</u>
S.05.01.02 Premiums, claims and expenses by line of business - PAC	<u>165</u>
S.12.01.02 Life and Health SLT Technical Provisions - PAC	<u>168</u>
S.17.01.02 Non-Life Technical Provisions - PAC	<u>169</u>
S.19.01.21 Non-Life insurance claims - PAC	<u>170</u>
S.22.01.21 Impact of long term guarantees measures and transitionals - PAC	<u>171</u>
S.23.01.01 Own Funds - PAC	<u>172</u>
S.25.03.21 Solvency Capital Requirement - for undertakings on full internal models - PAC	<u>174</u>
S.28.02.01 Minimum Capital Requirement - Both life and non-life insurance activity - PAC	<u>176</u>
S.02.01.02 Balance Sheet - PPL	<u>177</u>
S.05.01.02 Premiums, claims and expenses by line of business - PPL	<u>179</u>

S.12.01.02 Life and Health SLT Technical Provisions - PPL	<u>180</u>
S.22.01.21 Impact of long term guarantees measures and transitionals - PPL	<u>181</u>
S.23.01.01 Own Funds - PPL	<u>182</u>
S.25.03.21 Solvency Capital Requirement - for undertakings on Full Internal Models - PPL	<u>183</u>
S.28.01.01 Minimum Capital Requirement - PPL	<u>185</u>

**Rounding convention**

The information in the main body of the SFCR is presented in pound sterling and rounded to the nearest million. 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 and its subsidiaries (collectively “the Group”) as at 31 December 2022. 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.

From 4 November 2021, the Group has been granted approval under a waiver from the Prudential Regulation Authority (PRA) to prepare a single Group Solvency and Financial Condition Report (Group SFCR). The Group SFCR includes the required information for M&G plc, as well as its UK insurance subsidiaries including The Prudential Assurance Company Limited (PAC) and Prudential Pensions Limited (PPL).

The waiver does not extend to Prudential International Assurance plc (PIA) and this entity continues to produce a solo SFCR for the year ended 31 December 2022.

References to M&G plc throughout this document relate to the M&G plc entity. In the context of financial information this refers to the M&G plc consolidated entity unless otherwise stated. Financial information in respect of the M&G plc stand-alone entity is clearly marked. References to ‘the Group’, in all contexts, refers to group-wide information, policies, processes and procedures, and applies equally across M&G plc, PAC and PPL where it is relevant to each entity.

M&G plc’s consolidated statutory financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IAS) and the legal requirements of the Companies Act 2006, whilst PAC and PPL apply UK Generally Accepted Accounting Principles (UK GAAP) to prepare their solo entity statutory financial statements. References to the Own Funds, Surplus, SCR and Solvency position and any other numerical information within the Summary and Sections A to C are unaudited. Further information on the scope of the audit can be found in the Independent Auditor’s Report.

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

The Solvency II regime was adopted into the UK legislative and regulatory framework on 1 January 2016, while the UK was still a Member State of the European Union (EU). This report has been prepared in accordance with Solvency II as enacted under UK legislation in 2016 and as subsequently amended from time to time. Following the expiry of the Brexit transitional period, the SFCR as at 31 December 2022 has been prepared under the Solvency II rules as on-shored in the UK legislative and regulatory framework.

### Group Background

The Group is an international savings and investments business. It serves 4.8 million retail clients, who want to build and protect their life savings, and provides investment solutions to more than 800 institutional clients. Our clients consist of a broad range of individuals, pension funds, insurance companies, wealth managers, financial advisers and other distribution partners across 26 markets. The Group serves its savings and insurance clients under the Prudential brand in the UK and Europe, and under the M&G Investments brand for asset management clients globally. As at 31 December 2022, the Group’s Assets under Management and Administration (AUMA) was £342.0bn (2021: £370.0bn).

The Group operates across two operating segments: Asset Management and Retail and Savings. The Asset Management segment, with £154.2bn external AUMA as at 31 December 2022 (2021: £156.7bn), includes both Wholesale and Institutional business. The Retail and Savings segment, with £186.4bn AUMA as at 31 December 2022 (2021: £211.1bn), predominantly comprises the Group’s Wealth and Heritage business. Wealth includes the Retail Savings business (including PruFund) and platform and advice business. Heritage consists of the traditional with-profits business as well as the annuities and corporate pensions businesses. In addition there are £1.4bn of corporate assets as at 31 December 2022 (2021: £2.2bn).

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

#### PAC

PAC was founded in the United Kingdom in 1848, and is a provider of savings and retirement income products. PAC’s goal is to give individual savers and financial advisers access to the Group’s investment and capital management capabilities, in a wide range of structures and formats.

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

## Summary (continued)

PAC consists of the With-Profits Fund and the Shareholder business. The With-Profits Fund is the largest of its kind in the UK. It is made up of two ring-fenced with-profits sub-funds: the With-Profits Sub-Fund (WPSF) and the Defined Charge Participating Sub-Fund (DCPSF) as shown in the table below.

Figure 1: Company structure

The Prudential Assurance Company Limited (PAC)				
Shareholder-backed business			With-Profits Fund	
Shareholder Fund		Non Profit Sub-Fund (NPSF)	With-Profits Sub-Fund (WPSF)	Defined Charge Participating Sub-Fund (DCPSF)
General Insurance Fund	Other			

New contracts are predominantly written in the WPSF, where the shareholders are entitled to an amount up to one-ninth of the bonus declared, and the remaining divisible profit is allocated to policyholders.

The portion allocated to shareholders is recognised as profit when customers access their savings, meaning profit tends to arise at the end of the contract. This profit is referred to as the shareholder transfer. Hedging activities are undertaken to reduce volatility in profit emergence from shareholder transfers.

For the business written in the DCPSF, the charges accrue to shareholders who also meet the corresponding expenses. Profits arising in the DCPSF are attributed wholly to DCPSF policyholders. The shareholders' profit arises as the difference between charges and expenses.

All profit on business written outside of the With-Profits Fund is attributable to shareholders.

### PPL

PPL was established in 1971, as a UK insurance subsidiary to PAC. PPL accepts reinsurance from both PAC, its immediate parent company, and external parties in respect of corporate pension schemes. In addition, PPL sells direct investment-only business to group pension schemes. Most of PPL's products are unit-linked products, but it also has a small book of annuities that are wholly reinsured to PAC.

### M&G Investments

M&G Investments provides asset management services to wholesale clients 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.

M&G Investments operates through M&G Group Limited (MGG), a main subsidiary of the Group. MGG's wholesale clients have access to a broad range of actively managed investment products, including Equities, Fixed Income, Multi-Asset and Real Estate. The Group serves these clients through its many business-to-business relationships both in the UK and overseas, which include independent financial advisers, high-street banks and wealth managers. MGG'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.

## Business and performance

### Performance of businesses

In 2022, the Group's adjusted operating profit has been affected by the impact of rising yields on the annuity margin and a foreign exchange loss on our USD denominated subordinated debt. The PruFund business has performed strongly with an increase in profits from shareholder transfers over the year. Total performance of the M&G plc consolidated results is measured using IFRS profit before tax. Underwriting performance is measured using adjusted operating profit before tax, the Group's non-GAAP alternative performance measure, as this is less affected by short-term market volatility and non-recurring items than IFRS result before tax. The main adjusting item between adjusted operating profit before tax and IFRS result before tax is short-term fluctuations in investment returns.

For the year ended 31 December 2022, adjusted operating profit before tax was £529m (2021: £721m).

In Asset Management, the reduction in adjusted operating profit to £264m (2021: £315m) is mainly driven by an increase in expenses as we continue building out the capability and operations of our international investment function. In addition there has been an increase in the core cost base linked to inflation. Despite the challenging markets, which resulted in a decrease in investment return from £17m to £(5)m, the income earned from performance fees and carried interest in the period has increased by £35m to £56m.

Retail and Savings adjusted operating profit reduced to £572m (2021: £660m). The total with-profits shareholder transfer net of hedging and other gains/losses has increased by £86m to £354m, benefiting from the strong investment performance. However, this has been offset by a fall in annuity margin driven by the upwards movement in yields and other one-off benefits from 2021 that did not repeat in 2022 including a prior year release of the annuity sales practices review provision of £31m in 2021.

Corporate Centre costs have increased, largely driven by adverse foreign exchange movements of £50m (2021: £4m) on the USD subordinated debt. Changes in executive leadership have resulted in additional remuneration and recruitment costs.

For further detail on the operating segments, please see section A.1.3.

IFRS loss before tax was £2,118m (2021: £81m profit) and reflects adjusted operating profit before tax, and profit or loss before tax from adjusting items.

## Summary (continued)

Further information on adjusted operating profit before tax, statutory profit before tax, and the bridge between the two, is provided in Section A.2. A full description of Key Performance Measures (KPMs) and further commentary on these results is contained within the Business and Financial Review and Supplementary Financial Information in the M&G plc 2022 Annual Report and Accounts.

Further information on the performance of PAC and PPL is included in Section A.2.

Details on other significant events can be found in Section A.1.4.

### System of governance

The M&G plc Board has responsibility for the oversight, governance, direction, long-term sustainability and success of the business and affairs of the Group and is responsible to shareholders for creating and delivering sustainable shareholder value. Key subsidiaries have their own separate Boards recognising their obligation to take decisions independently in the interest of their customers and clients, as well as to meet relevant legal and governance responsibilities. The Boards have established a number of Committees to support their decision making which are independently overseen by Non-Executive Directors (NEDs).

To assist the Boards in identifying and managing significant risks, the Group has implemented a Group Governance Framework (GGF). This defines the Group's approach to governance and internal controls to ensure the business meets internal and external requirements and standards. The GGF is adhered to by the Group's subsidiaries and includes information and policies to ensure a consistent approach to the way colleagues work and make decisions.

The Group's governance is designed to support a clear understanding and delivery of its strategy. The GGF sets out the respective roles and responsibilities between M&G plc and its subsidiaries, allowing for the appropriate management of potential conflicts of interest, as well as the required interactions and two way flow of information and escalation of issues.

Further information on the system of governance including information on the composition of its boards, committees, key functions, risk management and internal control system is provided in Section B.

### Risk profile

Risk is defined as the uncertainty faced in successfully implementing the strategies and objectives of the Group. This includes all internal and external events, acts, or omissions that have the potential to threaten the success and survival of the Group, the interests of its customers and clients, or the broader market.

As part of its business operations, the Group takes on risks on behalf of shareholders, its customers, and its clients. The Group generates shareholder value by selectively taking exposure to risks where the risk is adequately rewarded, and can be appropriately quantified and managed. There are also risks inherent in business operations that have no upside that the Group does not choose to take. Effective risk management helps the Group safeguard its ability to meet commitments to its customers and clients, comply with legislation and regulation, and protect its reputation.

The Group is exposed to a number of financial and non-financial risks including but not limited to underwriting risk, market risk, credit risk, liquidity risk and operational risk. Further information on the Group's risk profile including information on risk definitions, exposures, measurement, concentrations, mitigations and sensitivities is provided in Section C.

2022 has been a challenging year for the global economy with persistent inflationary pressure, heightened recessionary fears, central bank tightening, rising geopolitical risk and UK political instability driving negative market sentiments. Recessionary fears in both European and US markets are expected to flow through into 2023 as economic stresses from rate increases and rising inflation mount. Surging energy prices from the Russia/Ukraine conflict, and supply chain disruptions driven by China's zero Covid policy, have adversely impacted markets. The conflict could pose a longer-term risk to market stability, with heightened tensions between US and China adding to geopolitical concerns. The Group's response to developments related to the Ukraine conflict was coordinated by the Central Response Team, with monitoring groups of representatives across The Group. The Group has limited exposure to Russia and Ukraine, but the Group's investment teams continue to monitor the geopolitical situation closely. The Group has liaised with the regulators (the PRA and FCA) and responded to information requests, for example in relation to the Group's sanctions framework and cyber-attacks. In the UK, political instability led to a spike in market volatility, requiring central bank intervention, a significant increase in borrowing costs and a weakening of Sterling. This has added to existing pressures on households and businesses. To effectively manage the Group and clients' assets through this volatile period, colleagues from across the Group were brought together to provide an enhanced monitoring and decision-making capability. Actions we have taken include adjustments to risk limits and hedging portfolios to reduce the risk of unexpected collateral calls.

### Valuation for solvency purposes

Solvency II valuation rules have been applied to value the Group's assets and liabilities for the purposes of Solvency II reporting:

- i. Technical provisions are held in respect of liabilities to policyholders. As a general principle, technical provisions under Solvency II are valued at the amount for which they could theoretically be transferred immediately to a third party in an arm's length transaction. The technical provisions consist of a best estimate liability (BEL) and the risk margin, reduced by a transitional measure on technical provisions (TMTP) where relevant.
- ii. Assets and liabilities other than technical provisions are valued under Solvency II at the amount for which they could be exchanged between knowledgeable and willing parties in arm's length transactions. Assets and liabilities other than technical provisions are valued separately using methods that are consistent with this principle in accordance with the valuation approaches set out in the Solvency II Directive.

The own funds and capital requirements for a number of the Group's non-insurance related undertakings carrying out financial activities, the most significant of which are MGG, Investment Funds Direct Limited (the main operating entity of the M&G Wealth platform

## Summary (continued)

business) and Prudential Capital Public Limited Company (PruCap) (the Group's treasury function), are included using sectoral rules (if regulated) or notional sectoral rules (if non-regulated).

As at 31 December 2022 the excess of assets over liabilities on a Solvency II basis was:

Figure 2: Excess of assets over liabilities on a Solvency II basis

As at 31 December		M&G plc	PAC	PPL
		£bn	£bn	£bn
<b>2022</b>	<b>Excess of assets over liabilities</b>	<b>15.8</b>	<b>16.3</b>	<b>0.1</b>
2021	Excess of assets over liabilities	19.4	19.9	0.1

The Group's excess of assets over liabilities is £13bn higher than its IFRS Shareholders' Equity, whilst the excess of assets over liabilities for PAC and PPL are £14bn and £4m higher than their UK GAAP Shareholders' Funds respectively. There are a number of valuation differences between the two bases with the most significant being the treatment of unallocated surplus of PAC's With-Profits Fund (£15.1bn for M&G plc and £14.9bn for PAC), which is treated as a liability on a statutory accounts basis but recognised as surplus assets in the PAC and M&G plc Solvency II balance sheets.

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

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

### Capital management

The primary focus of the Group's capital management framework is to maintain financial strength and reward shareholders with attractive returns. This is achieved through actively managing M&G plc's solvency position and the quality of capital held.

When deploying additional capital, the Group prioritises investments in the business that can generate long-term sustainable earnings growth. Any investment will always be measured against the financial attractiveness of capital returns, as well as the Group's Risk Appetite Framework which sets out key trigger points for the management of solvency, liquidity, and dividend volatility.

Total capital generation for 2022 is negative £397m, compared to positive £1,822m in 2021. Capital generation has been adversely affected by significant market volatility and a lower benefit from management actions compared to 2021. However underlying capital generation, which represents the capital generated by the performance of the business, has increased to £628m from £484m.

The shareholder Solvency II coverage ratio remains strong but reduced at 205% (2021: 218%). The regulatory Solvency II coverage has also remained stable at 168% (2021: 168%), as seen in Figure 5. These results reflect the latest regulatory approved TMTP and therefore differ from the shareholder view presented in the Annual Report and Accounts, which reflect a TMTP that has been recalculated based on management's estimate of the impact of operating and market conditions.

M&G plc's total capital generation result includes a £146m benefit from management actions, driven by a contribution of £174m from asset trading and optimisation, offset by other items such as the run-off of maturing equity hedges. There is a further £158m benefit from assumption changes, primarily longevity.

We are on track to deliver our target of £2.5bn of cumulative operating capital generation by 2024.

M&G plc continues to deploy our capital to expand the business with an aggregate investment of £275m made in 2022 in respect of investments in Sandringham, TCF Investments, Moneyfarm and responsAbility.

In March 2022 the Group announced that it would commence a share buy-back programme to purchase ordinary shares of 5 pence each up to a maximum consideration of £500m; the programme completed on 27 October 2022 for a total consideration, including expenses and stamp duty, of £503m.

Subsequent to 31 December 2022, the Board has declared a second interim dividend for 2022 of 13.4 pence per ordinary share (an estimated £310m in total to be paid on 27 April 2023, see section A.5.4).

The own funds eligible to cover the Solvency Capital Requirements (SCR) and Minimum Capital Requirements (MCR), as used in the capital generation figures above, are shown in the tables 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 3: Eligible own funds to cover the MCR

		As at 31 December					
		2022			2021		
		M&G plc £m	PAC £m	PPL £m	M&G plc £m	PAC £m	PPL £m
<b>Eligible own funds to cover the MCR</b>	<b>Tier 1 - unrestricted</b>	<b>7,344</b>	<b>9,226</b>	<b>78</b>	10,304	12,161	77
	<b>Tier 1 - restricted</b>	—	—	—	—	—	—
	<b>Tier 2</b>	<b>326</b>	—	—	430	—	—
	<b>Tier 3</b>	—	—	—	—	—	—
	<b>Total</b>	<b>7,670</b>	<b>9,226</b>	<b>78</b>	10,734	12,161	77

## Summary (continued)

### Capital management (continued)

Figure 4: Eligible own funds to cover the SCR

		As at 31 December							
		2022				2021			
		M&G plc		PAC	PPL	M&G plc		PAC	PPL
		Excluding OFS <sup>1</sup>	Including OFS			Excluding OFS <sup>1</sup>	Including OFS		
		£m	£m	£m	£m	£m	£m	£m	£m
Eligible own funds to cover the SCR	Tier 1 - unrestricted	7,344	8,437	9,226	78	10,304	11,439	12,161	77
	Tier 1 - restricted	—	—	—	—	—	—	—	—
	Tier 2	2,998	2,998	—	—	3,728	3,728	—	—
	Tier 3	547	547	392	—	89	89	—	—
	<b>Total</b>	<b>10,889</b>	<b>11,982</b>	<b>9,618</b>	<b>78</b>	<b>14,122</b>	<b>15,257</b>	<b>12,161</b>	<b>77</b>

<sup>1</sup> Other financial sector (OFS) undertakings primarily include MGG, Prudential Capital Public Limited Company and Investment Funds Direct Limited that are included in the Group own funds using their sectoral or notional sectoral rules.

M&G plc, PAC and PPL have been granted approval by the PRA to calculate their SCRs based on the Internal Model, which reflects the key risks they are exposed to. For M&G plc and PAC, the most significant risks are market risks (primarily credit risk and equity risk) and longevity risk. For PPL, the most significant risks are underwriting risks (primarily expense risk and persistency risk).

Figure 5: Regulatory Solvency Position Summary

As at 31 December		Own funds	SCR	Surplus	Solvency ratio	MCR	Eligible funds available to cover MCR
		£m	£m	£m	%		
2022	M&G plc	11,982	7,141	4,841	168 %	1,631	7,670
	PAC	9,618	6,258	3,360	154 %	1,565	9,226
	PPL	78	34	44	231 %	15	78
2021	M&G plc	15,257	9,085	6,172	168 %	2,148	10,734
	PAC	12,161	8,296	3,866	147 %	2,074	12,161
	PPL	77	45	33	173 %	20	77

M&G plc, PAC and PPL met their SCR and MCR requirements at all times during 2022.

#### Shareholder and With-Profits Fund views of solvency

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

As the surplus in the With-Profits Fund is not available to meet losses elsewhere in the Group, the regulatory capital position limits the contribution of the With-Profits Fund to M&G plc and PAC's own funds to the level sufficient to cover its SCR (i.e. a 100% coverage ratio), via a ring-fenced fund restriction. As at 31 December 2022, 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.

The numbers disclosed in Figure 6 reflect the latest regulatory approved TMTP which was recalculated as at 30 June 2022 for PAC and 31 December 2021 for PPL. These therefore differ from the shareholder view presented in the Annual Report and Accounts, which reflect a TMTP that has been recalculated based on management's estimate of the impact of operating and market conditions.

Figure 6: Shareholder and With-Profits Fund views of the Solvency II capital position

As at 31 December		M&G plc				PAC				PPL
		Shareholder view	With-Profits Fund view	Ring-fenced fund restrictions	Regulatory view <sup>1</sup>	Shareholder view	With-Profits Fund view	Ring-fenced fund restrictions	Regulatory view <sup>1</sup>	Shareholder view and regulatory view
		£m	£m	£m	£m	£m	£m	£m	£m	£m
2022	Own Funds	9,448	9,233	(6,698)	11,982	7,084	9,233	(6,698)	9,618	78
	SCR	4,606	2,534	—	7,141	3,724	2,534	—	6,258	34
	Surplus	4,842	6,698	(6,698)	4,841	3,360	6,698	(6,698)	3,360	44
	Solvency ratio (%)	205%	364%	—	168%	190%	364%	—	154%	231%
2021	Own Funds	11,409	11,625	(7,777)	15,257	8,313	11,625	(7,777)	12,161	77
	SCR	5,237	3,848	—	9,085	4,448	3,848	—	8,296	45
	Surplus	6,172	7,777	(7,777)	6,172	3,866	7,777	(7,777)	3,866	33
	Solvency ratio (%)	218%	302%	—	168%	187%	302%	—	147%	173%

<sup>1</sup> The contribution of the With-Profits Fund to the regulatory solvency position is restricted to the own funds required to cover its SCR.



## Summary (continued)

### Capital management (continued)

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 their capital strength. The 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. For M&G plc and PAC, this calculation results in the same Solvency II surplus, but provides a higher solvency ratio.

#### Development of Solvency II capital position during the reporting period

The Group has a disciplined approach to managing balance sheet risk. This has provided protection against significant adverse market-driven effects on the Solvency II capital position.

The Group Solvency II surplus fell to £4,842m as at 31 December 2022 (2021: £6,172m). Own Funds has reduced by £2.0bn, driven by negative own funds capital generation of £989m (2021: positive £1,172m) combined with a deduction of £465m (2021: £466m) from dividends paid to shareholders in the year, a reduction of £503m as a result of the share buy-back, and a reduction of circa £200m (2021: £32m) from other capital movements, (primarily the acquisitions of Sandringham, TCF, and ResponsAbility). However, market movements have also reduced the Solvency Capital Requirement, with the result that the shareholder Solvency II ratio remains strong but reduced at 205% (2021: 218%).

The With-Profits Fund continues to have a strong Solvency II coverage ratio of 364% (2021: 302%). The distribution of excess surplus to policyholders reduced with-profits surplus by £1.0bn, with market movements contributing to a further reduction in surplus over the period. Both of these items reduced solvency capital requirements. In particular, the sharp increase in yields and fall in equity assets reduced exposure to market and longevity risks, resulting in an overall increase in the solvency ratio despite the fall in surplus as a result of market movements. The run-off of capital requirements also contributed to the increase in the ratio. See section E.1. for further detail.

PAC retains a shareholder Solvency II surplus of £3,360m (2021: £3,866m). The shareholder surplus has decreased over 2022, which predominantly reflects challenging market conditions, non-market experience variance and the payment of dividends to M&G plc of £500m (2021: £1,550m). These have been partly offset by expected surplus from in-force business, management actions, which mainly related to matching adjustment strategy changes of £87m and the own funds impact of the excess surplus distribution of £43m, beneficial longevity assumption changes and tax changes.

The PPL Solvency II surplus has increased slightly to £44m (2021: £33 m). The increase is predominately due a reduction in expense and credit risk capital following the increase in the risk-free interest rates experienced and updated renewal expense assumptions, offset by updated persistency assumptions.

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

The results in M&G plc's 2022 Annual Report and Accounts, and in PAC and PPL's 2022 Statutory Accounts (collectively the "statutory accounts"), assume a TMTP that has been recalculated in line with management's estimate of operating and market conditions as at the valuation date, which as at 31 December 2022 differed from the latest regulatory approved TMTP which was recalculated as at 30 June 2022 for PAC and as at 31 December 2021 for PPL. Unless stated otherwise, the Solvency II figures presented in this report, including the shareholder and With-Profits Fund views of solvency, assume the latest regulatory approved TMTP and therefore differ from the information in the statutory accounts.

A reconciliation between the shareholder view of the Solvency II capital position to the regulatory view included in the quantitative reporting templates included in the Appendix to this document is provided in Section E.1.2.

#### Sensitivity of the solvency ratio to matching adjustments and transitional measures

The regulatory solvency ratio is underpinned by the use of a matching adjustment for M&G plc and PAC to calculate the technical provisions on its annuity business and by a transitional measure on technical provisions. Without these items the solvency ratio would change as set out in the table below.

Figure 7: Solvency ratio without the matching adjustment and TMTP

As at 31 December		M&G plc			PAC			PPL <sup>1</sup>	
		As reported	Without the matching adjustment	Without TMTP	As reported	Without the matching adjustment	Without TMTP	As reported	Without TMTP
2022	Regulatory view	168 %	110 %	154 %	154 %	94 %	138 %	231 %	204 %
	Shareholder view	205 %	114 %	181 %	190 %	91 %	163 %	231 %	204 %
2021	Regulatory view	168 %	112 %	151 %	147 %	94 %	129 %	173 %	153 %
	Shareholder view	218 %	119 %	186 %	187 %	90 %	152 %	173 %	153 %

<sup>1</sup> PPL did not apply a matching adjustment as at 31 December 2022 and 31 December 2021.

Annually, the Group prepares a business plan which includes the projected development of the Solvency II capital position. The plan allows for the reduction to the TMTP over the 16 year amortisation period to 2032, and the surplus generated from the in-force book which 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*

##### **M&G plc**

M&G plc 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.

M&G plc is the holding company of the Group.

##### **PAC**

The Prudential Assurance Company Limited is a company limited by shares incorporated and registered in England and Wales.

PAC is a wholly owned subsidiary of M&G Group Regulated Entity Holding Company Limited. M&G Group Regulated Entity Holding Company Limited's principal activity is that of an intermediate holding company with subsidiaries engaged in underwriting long-term insurance business, asset management and wealth management. PAC's ultimate parent company is M&G plc.

##### **PPL**

Prudential Pensions Limited is a company limited by shares incorporated and registered in England and Wales and is a wholly owned subsidiary of PAC.

##### *Registered offices*

M&G plc, PAC and PPL registered offices are:

10 Fenchurch Avenue  
London  
EC3M 5AG

##### *Supervisory authority and Group supervisory authority*

M&G plc, PAC and PPL are supervised by the 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*

M&G plc, PAC and PPL are audited by PricewaterhouseCoopers LLP. The contact details are:

PricewaterhouseCoopers LLP  
7 More London Riverside  
London  
SE1 2RT

##### *Holdings of qualifying holdings*

As at 31 December 2022, there were no holders of qualifying holdings in M&G plc (being a holder of 10% or more of the capital or voting rights). M&G Group Regulated Entity Holding Company Limited is the only holder of qualifying holdings in PAC, and PAC is the only holder of qualifying holdings in PPL.

For details of significant shareholders in M&G plc, see the Directors' Report in the M&G plc 2022 Annual Report and Accounts.

## A Business and performance (unaudited) (continued)

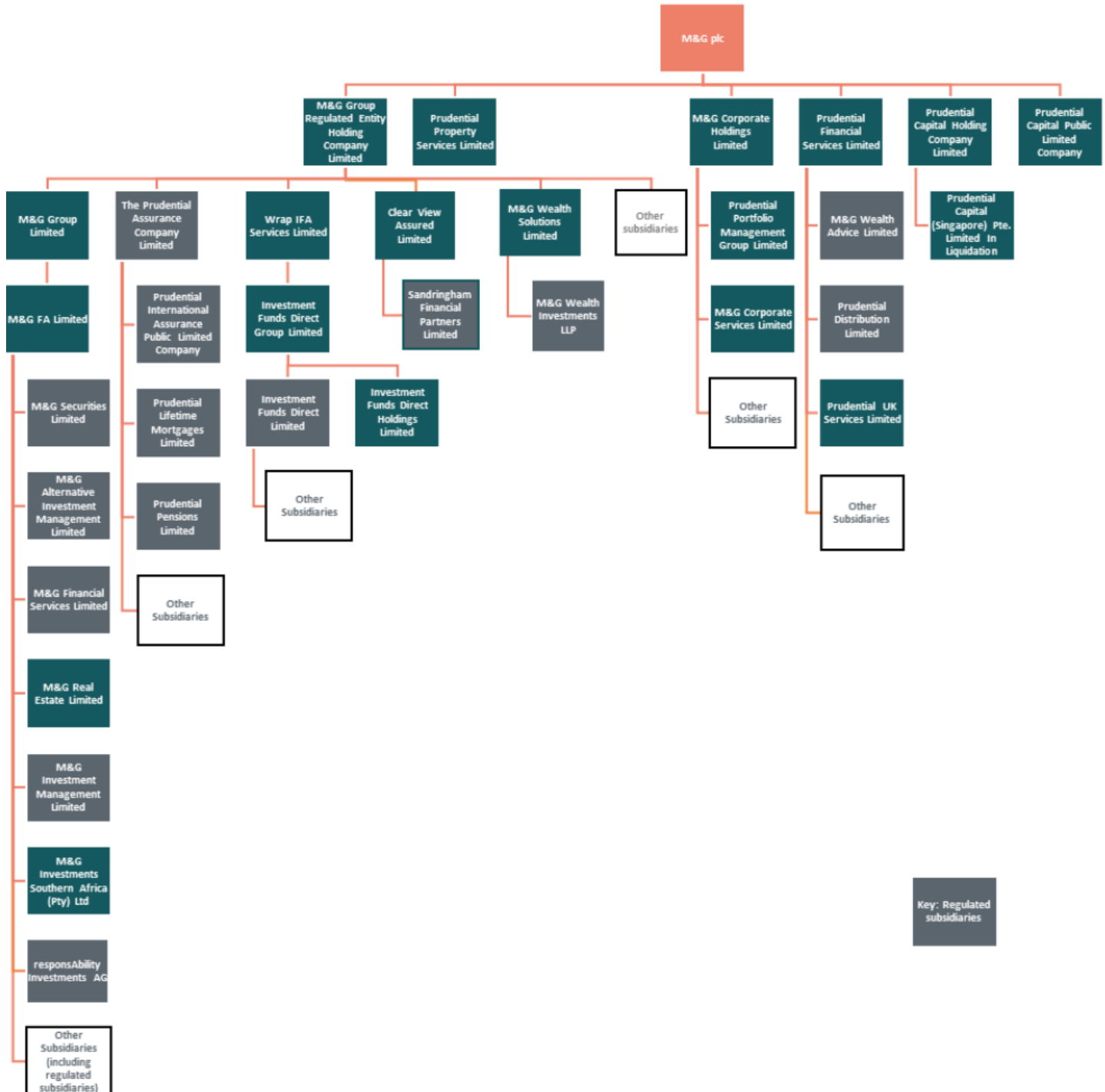
### A.1 Business (continued)

#### A.1.2 Group structure

##### A.1.2.1 Legal structure of the Group and related undertakings

Figure 8 is an extract of the Group structure as at 31 December 2022 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 8: Simplified structure of M&G plc as at 31 December 2022



## A Business and performance (unaudited) (continued)

### A.1 Business (continued)

The Group comprises subsidiaries which primarily undertake Insurance and Asset Management activities. The table below lists the main operating subsidiaries in the Group as at 31 December 2022. The subsidiaries below are all wholly owned.

Figure 9: Main subsidiaries of the Group

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

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

MGG is the holding company for the Group's Asset Management business operating both in the UK and internationally.

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

Prudential Capital Public Limited Company provides professional treasury services to the Group and also acts as a market-facing intermediary for Group corporate hedging programs.

The remaining entities in the Group perform a range of services, including 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 40 to the consolidated financial statements of the M&G plc 2022 Annual Report and Accounts.

#### A.1.2.2 Information on the scope of the Group

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

M&G plc's 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 statutory consolidated financial statements.

The most material difference in the scope of consolidation relates to Open Ended Investment Companies (OEICs), Luxembourg domiciled Sociétés d'Investissement à Capital Variable (SICAVs), 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, as at 31 December 2022, are summarised in the table below.

Figure 10: Approach to calculate solvency for main entities within scope of the Group

Related undertaking	Regulatory framework
Insurance companies (PAC, PIA, PPL)	Solvency II Internal Model
MGG (and subsidiaries)	IFPR <sup>1</sup> sectoral requirements
Prudential Capital Public Limited Company and Prudential Portfolio Management Group Limited	Notional sectoral requirements, based on IFPR <sup>2</sup>
Investment Funds Direct Limited	IFPR <sup>1</sup> sectoral requirements
Prudential Lifetime Mortgages Limited	MIPRU <sup>3</sup> sectoral requirements
Other undertakings in the Group	Solvency II Internal Model

<sup>1</sup> The IFPR (Investment Firms Prudential Regime) came into effect from 1 January 2022.

<sup>2</sup> These undertakings are not regulated. As at 31 December 2022, their contribution has been based assuming IFPR rules were to apply.

<sup>3</sup> Prudential Sourcebook for Mortgage and Home Finance Firms, and Insurance intermediaries.

## A Business and performance (unaudited) (continued)

### A.1 Business (continued)

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. They 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 Asset Management segment consists of the Group's asset management business, M&G Investments. The Retail and Savings business consists of Wealth, Heritage and the Other Retail and Savings businesses. PAC contributes to Wealth primarily through PruFund alongside the Group's platform and advice businesses. Heritage consists solely of insurance business, primarily PAC and its subsidiaries, including PPL.

Further information on the operating segments, including note of the entities which operate within those segments, can be seen below.

##### A.1.3.1 Asset Management (M&G plc)

The Group's investment management capability is offered to both wholesale and institutional clients. The Group's wholesale clients invest through either UK domiciled OEICs or Luxembourg domiciled 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 clients 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 Asset Management segment generates revenues by charging fees which are typically based on the level of assets under management. This includes investment management revenues from the significant proportion of Retail and Savings assets it manages.

##### A.1.3.2 Retail and Savings (M&G plc, PAC and PPL)

Our Retail and Savings operating segment includes M&G Wealth, our Heritage business and Other Retail and Savings business which primarily relates to our international savings business.

###### i Wealth

M&G Wealth provides a range of retirement, savings and investment management solutions to its clients. These products are distributed to clients through the wrap platform, intermediaries and advisers, 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 UK PruFund investment proposition are included in M&G Wealth. The UK PruFund investment proposition gives 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 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.

###### ii Heritage

The 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. The annuity contracts include: level annuities, which provide a fixed annuity payment; fixed increase annuities, which incorporate a periodic automatic fixed increase in annuity payments; and inflation-linked annuities, which incorporate a periodic increase based on a defined inflation index. Some inflation-linked annuities have minimum and/or maximum increases relative to the corresponding inflation index.

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

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

The Heritage business includes the closed SAIF business which participates in profits on a 100:0 basis with no shareholder profit transfers. Shareholders are entitled to asset management fees. This business is now included in PAC's main with-profits sub fund following the merger with the SAIF with-profits sub fund on 1 April 2021.

###### iii Other Retail and Savings

Our savings businesses based in Ireland (Prudential International Assurance plc) and Poland are included within Other Retail and Savings.

##### A.1.3.3 Corporate Centre (M&G plc only)

Corporate Centre includes central corporate costs and debt costs.

## A Business and performance (unaudited) (continued)

### A.1 Business (continued)

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

##### A.1.4.1 Delivering sustainability (M&G plc, PAC and PPL)

As a leading savings and investments business, we are focused on the long term, making responsible decisions with the aim of protecting and growing our clients' assets, while considering the interests of all stakeholders. This informs our strategy and aligns with our purpose – to help people manage and grow their savings and investments, responsibly. One of our strategic priorities is to deliver profitable growth by building on our asset management expertise, allowing us to meet increasing demand for sustainability and impact-focused investments. Executing our strategy requires further investment in capabilities, and making a difference through our actions and our investment decisions.

During 2022 we continued to focus on our two priority areas for action; climate change, and diversity and inclusion. There are a number of initiatives underway to support our targets of 40% female and 20% black, Asian or minority ethnic representation in senior leadership by 2025. More details of these initiatives and our progress on our diversity and inclusion targets are on pages 49-50 of the M&G plc 2022 Annual Report and Accounts.

In April 2022, our Asset Manager Thermal Coal Investment Policy came into effect, defining our engagement and divestment approach for covered assets, to ensure phase-out of this major source of global emissions by 2030 in OECD and EU countries and 2040 for the rest of the world.

In September 2022, the asset owner published its first interim targets as a member of the Net-Zero Asset Owner Alliance (NZAOA), including asset level, sectoral and engagement commitments. Our asset manager also issued its first progress report as part of the Net Zero Asset Managers initiative (NZAMi). Assets in-scope of our interim climate targets have increased, reflecting asset owner and asset manager alignment.

The acquisition of impact specialist responsAbility, discussed further below, gives us significant capability to support real-world climate action in emerging markets, including blended finance. Combined with our Catalyst investment strategy, which focuses on early-stage private investments, we are well positioned to meet growing client demand for impact investing and to help finance mitigation and adaptation activities across the world.

Further details on our climate-related activity in the year can be found on pages 68-89 of the M&G plc 2022 Annual Report and Accounts.

##### A.1.4.2 Acquisitions (M&G plc)

On 6 January 2022, the Group, via M&G Group Regulated Entity Holding Company Limited, (M&G REH), acquired a 100% holding in Clear View Assured Limited, the holding company for Sandringham Financial Partners Limited (Sandringham) for a purchase consideration of £73m.

Sandringham is part of M&G Wealth within our Retail and Savings segment and at acquisition brought to M&G a well-established national financial services advisory business with around 180 advisory partners working on behalf of over 10,000 customers and more than £2.4bn of assets under advice to complement our existing advisory business, The Advice Partnership.

There is a further deferred amount payable to former shareholders who are in the employment of Sandringham of £8.6m over 2 years from the date of acquisition provided the shareholders remain in service. This does not form part of the purchase consideration and will be accounted for as employment costs over the service period.

As goodwill and intangible assets are not recognised on the Solvency II balance sheet, the aggregate Solvency II impact of the transaction is equivalent to the outgo, partially offset by the contribution from regulatory net assets. There is a further small reduction in surplus as a result of the contribution from the sectoral Solvency Capital Requirement.

On 3 May 2022, the Group, via M&G FA Limited, acquired a 94.8% holding in responsAbility Investment AG (responsAbility).

responsAbility is a Swiss private asset manager which is a leader in impact investing focused on private debt and private equity across emerging markets, with £2.9bn of assets under management. Following completion of the acquisition responsAbility's 200 employees joined M&G, the business will remain headquartered in Zurich creating a new investment hub for M&G Investments. responsAbility will sit within the Asset Management segment of the business.

The purchase consideration was subject to an adjustment for net assets between the date of the Share Purchase Agreement and the acquisition date. The Group retained call options and the seller retained put options over the remaining holding where the exercise price was fixed at inception. For accounting purposes, at the balance sheet date, the Group has accounted for the transaction on the basis it controls 100% of responsAbility. A liability has been recognised in respect of the Group's obligation under the call option arrangement. The Group acquired the remaining shares in February 2023.

The Group consolidated the results of responsAbility from the acquisition date. The contribution from net assets (less the sectoral Solvency Capital Requirement) is included in the Solvency II results for M&G Group.

On 17 February 2022, the Group acquired the total membership interest of TCF Fund Managers LLP (TCF), a provider of model portfolio services for a purchase consideration of £17m. The acquisition of TCF, has enabled us to launch an M&G Wealth branded range of model portfolios in April 2022. From 5 September 2022 TCF has been renamed M&G Wealth Investments LLP.

The acquisition was structured as follows:

- 99.9999% of the membership interest was acquired by M&G Wealth Solutions Limited (M&G WSL), formerly called M&G Wealth Investments Limited, which is a wholly owned subsidiary of M&G REH; and
- 0.0001% of the membership interest was acquired by Pru Limited, a wholly owned subsidiary of M&G Corporate Holding Limited (M&G CHL).

## A Business and performance (unaudited) (continued)

### A.1 Business (continued)

The purchase consideration comprised of £15m of cash consideration paid at completion and a deferred consideration of £2m paid on 7 November 2022 on the satisfactory completion of various activities linked to transition by the previous owners. The purpose of the deferred consideration is to ensure a smooth transition to M&G operations and not to retain services of the existing members over a longer duration.

In addition to the acquisitions set out above:

- In January 2022 the Group announced that it is partnering with Moneyfarm, a leading digital investment specialist, to provide direct investment services to UK consumers and is investing a minority stake in MFM Holding Limited.

#### A.1.4.3 Dividends (M&G plc and PAC)

The M&G plc Board declared an ordinary dividend of 12.2 pence per share, totaling £311m, which was paid on 28 April 2022. An interim ordinary dividend of £154m was paid on 29 September 2022, equal to 6.1 pence per share. For details of a second interim dividend, please see section A.5.4.

During 2022, the Group's main regulated subsidiaries paid dividends to their parent company. PAC paid dividends totaling £500m and MGG paid dividends of £76m.

#### A.1.4.4 Share buy-back

In March 2022, the Group commenced a share buy-back programme to purchase ordinary shares of 5 pence each up to a maximum consideration of £500m, and the programme concluded on 27 October 2022 for a total consideration, including expenses and stamp duty, of £503m.

#### A.1.4.5 Changes in longevity assumptions (M&G plc and PAC)

During 2022, current mortality rates (which are based on the Group's calibration of England and Wales population data) and future improvement rates (which are based on PAC's own calibration of Continuous Mortality Investigation ('CMI') 2020) have been updated. The CMI tables used are adjusted as appropriate each year to reflect anticipated mortality improvements. Mortality experience was significantly heavier over 2020 and 2021 than in previous years, driven by the pandemic, and for the purpose of calibrating current mortality and improvement rates, zero weight has been given to 2020 and 2021 experience (in line with industry approach).

The overall impact for M&G plc and PAC was a £213m increase in Solvency II surplus and a £193m increase in adjusted operating profit. The key drivers of the release in longevity reserves are: enhancements made to aspects of the underlying data and corresponding modelling approach underpinning our current mortality assumptions and more pessimism with regard to future improvements in the wider population following an external panel process with a range of experts from different disciplines, and enhancements to the approach to determine how the Group's own portfolio experience could differ from the wider population. Further details on the assumption changes are set out in section D.2.

#### A.1.4.6 With-Profits Sub Fund excess surplus distribution (M&G plc & PAC)

On 24 February 2022, the With-Profits Fund declared a distribution of £3bn to the policyholders comprised of the annual with-profits bonus declaration, and an extra distribution to eligible policyholders. The extra distribution of £1.5bn was made by announcing an additional bonus of 1.75% to enhance the unsmoothed value of plans for customers with traditional and accumulating policies. It may be necessary to take back the additional bonus in order to protect the interest of all customers and the strength of the fund at a future date, although this is not expected to happen. For PruFund customers, additional surplus was shared by increasing the unit price by 1.25%.

#### A.1.4.7 Change in external auditors

On 30 October 2020, the Board announced its intention to appoint PricewaterhouseCoopers LLP (PwC) as its external auditor for the Group for the year ending 31 December 2022. This followed a competitive tender process actively overseen by the Audit Committee, as referred to on page 116 of the M&G plc 2021 Annual Report and Accounts and resulted in a recommendation that was approved by the Board.

Consequently, KPMG resigned as the Group's statutory auditor at the conclusion of the 2021 audit and the Board appointed PwC to fill the vacancy.

A resolution to appoint PwC as auditor was recommended to M&G plc's shareholders and approved at the Annual General Meeting on 25 May 2022.

#### A.1.4.8 Changes to the Board

As discussed in Section B.1.2, the following changes have been made to the Board since 31 December 2021:

- Edward Braham joined as new Chair of the Board on 14 March 2022 with Fiona Clutterbuck stepping down as interim Chair and resuming her role as Senior Independent Director.
- Kathryn McLeland joined as the new Chief Financial Officer on 3 May 2022.
- Dev Sanyal joined the Board on 16 May 2022.
- Andrea Rossi joined as Group Chief Executive Officer on 10 October 2022.

#### A.1.4.9 Other events with material impact (M&G plc and PAC)

M&G plc and PAC'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 Business and performance (unaudited) (continued)

### A.2 Underwriting performance

M&G plc's consolidated statutory financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IAS) and the Companies Act 2006. The IFRS consolidated financial statements are published within the M&G plc 2022 Annual Report and Accounts. PAC and PPL use UK GAAP to prepare their solo entity statutory financial statements. PAC's financial statements have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and Financial Reporting Standard 103, Insurance Contracts (FRS 103). The PPL financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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

The Group uses this metric because it demonstrates the Group's longer-term performance and is less affected by short-term market volatility and non-recurring items than IFRS or UK GAAP profit before tax. This measure is not defined under IFRS or UK GAAP 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 set out in Note 3 to the consolidated financial statements within the M&G plc 2022 Annual Report and Accounts.

The key adjusting items between IFRS or UK GAAP profit (statutory profit) 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.2.1 Adjusted operating profit before tax overview

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

Figure 11: Adjusted operating profit before tax

	For the year ended 31 December						Section
	2022			2021			
	M&G plc £m	PAC £m	PPL £m	M&G plc £m	PAC £m	PPL £m	
<b>Adjusted operating profit before tax</b>	<b>529</b>	<b>548</b>	<b>7</b>	721	641	1	
Short-term fluctuations in investment returns	<b>(2,484)</b>	<b>(2,375)</b>	<b>(9)</b>	(537)	(548)	(2)	A.3.1
Profit on disposal of business and corporate transactions	—	—	—	35	—	—	A.4.1
Restructuring and other costs <sup>1</sup>	<b>(147)</b>	<b>(34)</b>	<b>(1)</b>	(146)	(18)	—	A.4.1
Amortisation and impairment of intangibles acquired in business combinations	<b>(35)</b>	—	—	(4)	—	—	
Statutory profit attributable to non-controlling interests	<b>19</b>	—	—	12	—	—	
<b>Statutory (loss) / profit before tax attributable to equity holders</b>	<b>(2,118)</b>	<b>(1,861)</b>	<b>(3)</b>	81	75	(1)	
Tax credit	<b>499</b>	<b>448</b>	<b>1</b>	11	3	—	
<b>Statutory (loss) / profit after tax attributable to equity holders</b>	<b>(1,619)</b>	<b>(1,413)</b>	<b>(2)</b>	92	78	(1)	

<sup>1</sup> For M&G plc, restructuring and other costs excluded from adjusted operating profit includes costs that relate to the transformation of our business which are allocated to the shareholder. In the year to 31 December 2022, restructuring and other costs includes £17m on in respect of our ways of working and associated changes to our office space, and £32m of costs in relation to the integration of the M&G Wealth platform business. The £17m cost for ways of working and associated changes to our office space includes the reversal of impairment recognised in respect of our future ways of working of £6m (2021: £29m recognition of impairment).



## A Business and performance (unaudited) (continued)

### A.2 Underwriting performance (continued)

Adjusting operating profit before tax by operating segment and material Solvency II lines of business is shown in the following tables.

#### M&G plc

Figure 12: M&G plc - Adjusted operating profit before tax by segment, business and Solvency II line of business

Segment	Business	Solvency II line of business	For the year ended 31 December	
			2022 £m	2021 £m
<b>Asset Management<sup>1</sup></b>	Core Asset Management	N/A	218	277
	Performance fees and investment income	N/A	46	38
	<b>Total Asset Management</b>	<b>N/A</b>	<b>264</b>	<b>315</b>
	<b>Wealth</b>		<b>96</b>	<b>41</b>
	- of which with-profits	Insurance with-profit participation <sup>2</sup>	128	63
	- of which Platform and Advice	N/A	(24)	(4)
	- of which other Wealth	Other	(8)	(18)
<b>Retail and Savings</b>	<b>Heritage</b>		<b>466</b>	<b>620</b>
	- of which traditional with-profits	Insurance with-profit participation <sup>3</sup>	227	205
	- of which shareholder annuities	Other	227	369
	- of which other Heritage	Other	12	46
	<b>Other</b>		<b>10</b>	<b>(1)</b>
	<b>Total Retail and Savings</b>	<b>N/A</b>	<b>572</b>	<b>660</b>
<b>Corporate Centre</b>		<b>N/A</b>	<b>(307)</b>	<b>(254)</b>
<b>Adjusted operating profit before tax</b>			<b>529</b>	<b>721</b>

<sup>1</sup> M&G Investments

<sup>2</sup> Insurance with-profit participation comprises the shareholder transfers from the With-Profits Fund.

<sup>3</sup> 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.

For the year ended 31 December 2022, adjusted operating profit before tax was £529m (2021: £721m).

Adjusted operating profit before tax from our Asset Management business has decreased 16% to £264m in the year ended 31 December 2022 (2021: £315m) primarily driven by increased expenses.

Retail and Savings adjusted operating profit reduced to £572m (2021: £660m), primarily driven by a decrease of £142m in the annuity margin, partly offset by an increase in fee-based revenues of £17m, and an increase in the return from the with-profits business of £86m. The decrease in annuity margin is primarily driven by rising yields in the period due to differences in the duration of the long-term annuity liabilities and the assets held to back them. The with-profits shareholder transfer net of hedging and other gains/(losses) increased to £354m (2021: £268m) primarily as a result of strong investment performance in 2021 and 2022. The result also benefited from the release of the provision for expense overruns of £15m which had been established on new business written in the With-Profits fund due to lower sales volumes in 2021. This was partly offset by fair value losses of £102m (2021: £60m) on the derivative instruments used to mitigate equity risk in respect of shareholder transfers. Other Retail and Savings is up £11m, primarily driven by an increase in profits from the business written in Poland, alongside a benefit from extending the term of the agreement to reimburse the With-Profits Fund for its contribution to the costs for growing the business in Poland, offset in part by the recognition of an insurance reserve for initial expenses on the Future+ business.

Corporate Centre adjusted operating losses increased to £307m (2021: £254m). This was largely driven by adverse foreign exchange movements of £50 million (2021: £4 million) on the USD subordinated debt. Changes in executive leadership have resulted in additional remuneration and recruitment costs.

The IFRS loss after tax attributable to equity holders was £1,619m compared to £92m profit in 2021. This variance is reflective of a £2,484m loss in the year (2021: £537m loss) from short-term fluctuations as a result of adverse market movements, offset in part by a tax credit of £499 million.

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

Further information on M&G plc's underwriting performance over 2022 and relative to the prior year, as well as other KPMs, is detailed in the 'Business and financial review' of the M&G plc 2022 Annual Report and Accounts.

## A Business and performance (unaudited) (continued)

### A.2 Underwriting performance (continued)

#### PAC

Figure 13: PAC - Adjusted operating profit before tax by Solvency II line of business

	For the year ended 31 December	
	2022 £m	2021 £m
Insurance with-profits participation <sup>1</sup>	354	268
Shareholder annuities	227	369
Other <sup>2</sup>	(33)	4
<b>Adjusted operating profit before tax</b>	<b>548</b>	<b>641</b>

<sup>1</sup> Insurance with-profits participation comprises: the shareholders' transfer from the With-Profits Fund of PAC, losses on the hedging of the current year shareholder transfer and the impact of the new business supportability test which was previously disclosed within 'unit linked and other'.

<sup>2</sup> Other is comprised of gains on unit linked business.

PAC's total adjusted operating profit before tax of £548m (2021: £641m) was 15% lower than seen in 2021. This consists of £354m (2021: £268m) relating to the shareholder transfer and associated hedges from the With-Profits Fund, £227m (2021: £369m) relating to the annuity business, and a loss of £33m (2021: £4m profit) on unit-linked and other business. The profit on the shareholder annuities is mainly driven by the expected return on assets and release of margins of £163m (2021: £172m), assumption changes of £152m (2021: £135m) (namely longevity, £193m and £5m change in proportion married assumption, as noted in section A.1.4.5) and losses from asset trading of £83m (2021: £3m profit). The main contributor to asset trading losses was the £115m increase in mismatched losses that resulted from the reduction in the value of assets in the long term fund driven by the increase in yields. This was offset by £19m reduction (2021: £8m) relating to renewal expenses. The 2021 annuities result includes a profit of £31m in relation to the release of the regulatory provisions for the review of past annuity sales (as discussed in section D.3.1.1). The project was completed in 2021 and the release of provision no longer required.

The profit before tax attributable to shareholders decreased by £1,936m to a loss of £1,861m at 31 December 2022 (2021: £75m) reflecting the fall in adjusted operating profit before tax of £93m, a £1,827m increased loss from short term fluctuations in investment returns consistent with M&G plc, and a £16m reduction in restructuring costs.

PAC's Adjusted operating profit before tax all relates to the Retail and Savings segment of the Group in Figure 12. PAC constitutes the most significant part of the Group's total adjusted operating profit before tax for with-profits, shareholder annuities and other Solvency II lines of business.

Further information on PAC's performance is detailed in the 'Business review' of its 2022 statutory financial statements.

#### PPL

Adjusted operating profit before tax (see Figure 11) is attributable to PPL's unit-linked business and insurance business. PPL has written some non-profit annuity business which is fully reassured to PAC and therefore does not contribute towards adjusted operating profit.

The short-term fluctuations in investment returns reflects the unrealised gains and losses on PPL's non-linked UK gilt investments as a result of interest rate movements during the period.

PPL has only one line of business and so adjusted operating profit before tax by segment, business and Solvency II line of business is not required.

### A.3 Investment performance

#### A.3.1 Short-term fluctuations in investment returns

As explained in Section A.2, the Group describe their financial performance by reference to adjusted operating profit before tax and statutory profit before tax.

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

- (i) Short-term temporary movements in the fair value of instruments held to mitigate equity risk in the with-profits shareholder transfer, including both cash flow and capital hedges.
- (ii) Total fair value movements on other capital hedges, which are solely held to optimise the Solvency II capital position.
- (iii) Total fair value movements on surplus assets backing the shareholder annuity capital, and the impact of short-term credit risk provisioning and experience variances over the period which are not reflective of the longer-term performance of the business, specifically:
  - The impact of credit risk provisioning for short-term adverse credit risk experience;
  - The impact of credit risk provisioning for actual upgrades and downgrades relative to best estimate assumptions. This is calculated by reference to current interest rates;
  - Credit experience reflecting the impact of defaults and other similar experience, such as asset exchanges arising from debt restructuring; and

## A Business and performance (unaudited)

### A.3 Investment performance (continued)

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

Market conditions have led to losses from short-term fluctuations in investment returns in 2022 predominantly due to losses from the surplus assets on annuities and also losses on derivatives held to protect the Solvency II capital position.

Short-term fluctuations for M&G plc and PAC for the year ended 31 December 2022 primarily comprise a £1,301m loss (2021: £99m loss) from the annuity portfolio as a result of fair value movements on the surplus assets, and a £989m loss (2021: £103m loss) on interest rate swaps purchased to protect PAC's Solvency II capital position against falls in interest rates, both due to rising yields in the period.

Partially offsetting this, there was a £104m gain (2021: £248m loss) as stock markets fell in the period on the equity hedges used to protect the value of future shareholder transfers from the With-Profits Fund.

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 were £134m (2021: £165m) for M&G plc, £353m (2021: £319m) for PAC and £9m (2021: £17m) for PPL.

The increase in PAC's investment management fees in 2022 compared to 2021 was mainly due to the payment of fees that were incurred in the previous year.

#### A.3.3 Investments in securitisations

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

As at 31 December 2022, the value meeting the definition of investments in securitisations was £2,044m (2021: £3,077m) for M&G plc, £1,874m (2021: £2,815m) for PAC and £64m (2021: £64m) for PPL.

## A.4 Performance of other activities

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

### A.4.1 Other adjusting items

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

#### *Profit/(loss) on disposal of businesses and corporate transactions (M&G plc, PAC)*

There was no profit or loss on disposal of businesses or corporate transactions in 2022. M&G plc recognised a gain of £35m as an adjusting item in the year ended 31 December 2021 in respect of the fair value gain of £51m on the acquisition of PPSA, offset by a £16m loss, within PAC, from the transfer of the annuity portfolio to Rothesay Life PLC.

#### *Restructuring and other costs (M&G plc, PAC, PPL)*

Restructuring and other costs primarily reflect the shareholder allocation of costs associated with the transformation of the Group's business. These costs represent fundamental Group-wide restructuring and transformation and are therefore excluded from adjusted operating profit before tax. For the year ended 31 December 2022, restructuring and other costs were £147m (2021: £146m) for M&G plc, £34m (2021: £18m) for PAC and £0.9m (2021: £0.1m) for PPL.

### A.4.2 Leasing

Information on leasing arrangements is provided below. Income and expenses relating to leasing arrangements is allowed for, to the extent relevant, in adjusted operating profit before tax disclosed in Section A.2.1 above. Lessee accounting is different under IFRS and UK GAAP and as a result property leases held by PAC which are recognised on the M&G plc IFRS consolidated balance sheet are not recognised on the PAC statutory accounts balance sheet. PPL does not partake in any leasing arrangements.

#### *M&G plc and PAC as a lessor*

The Group lets investment properties to tenants through operating leases. As at 31 December 2022, investment properties with a fair value of £16,505m (2021: £19,698m) were held by M&G plc and £6,756m (2021: £7,840m) were held by PAC principally in the With-Profits Fund.

In addition, a further £73m (2021: £74m) for M&G plc and £42m (2021: £42m) for PAC of assets are leased under finance leases.

For the year ended 31 December 2022 rental income from investment property was £884m (2021: £973m) for M&G plc and £408m (2021: £440m) for PAC. Direct operating expenses including repairs and maintenance arising from these properties for the year ended 31 December 2022 were £154m (2021: £190m) for M&G plc and £53m (2021: £70m) for PAC.

In addition, as at 31 December 2021, the Group held investments in two Collective Investment Undertakings which were in the business of leasing out fixed aviation assets for commercial use under both operating and finance leases. Under IFRS, the Group consolidated the entities on a line by line basis as it was assessed to exercise control over the undertakings. However, given their nature, they were treated as a single line participation on the Solvency II balance sheet and lease assets were reflected within this value instead. The value of the assets for which the Group acted as a lessor under operating and finance leases was £724m. During 2022, the Group disposed of one of the Collective Investment Undertakings and the second was descope from consolidation following a change in control and is included as an investment in equity securities and collective investments schemes on the IFRS balance sheet rather than consolidated on a line by line basis.

## **A Business and performance (unaudited) (continued)**

### **A.4 Performance of other activities (continued)**

#### *M&G plc as a lessee*

As at 31 December 2022, M&G plc had lease liabilities of £420m (2021: £413m) primarily related to operating leases over land and buildings utilised as office space, of which £31m (2021: £34m) are attributable to the With-Profits Fund. This includes office space in London and Stirling, as well as office space leased by PAC discussed below. The London lease has run since 2018 and is due to expire in 2038, and the Stirling lease commenced in 2022 and is due to expire in 2042. Both leases are non-cancellable.

Some of these operating leases of office buildings contain lease break options exercisable by M&G plc. M&G plc assesses at the point of 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 2022 is nil (2021: £1m).

#### *PAC as a lessee*

PAC leases office space in London and Reading under non-cancellable operating leases. The London lease has run since 2002 and ended in September 2022. The lease was set aside and a provision created for the dilapidation and decommissioning costs in 2020.

The Reading lease has run since 2013 and is due to expire in 2030, however there is a break option on that lease in 2025. Part of the property was vacated in October 2022 and accordingly the corresponding value of the right of use (ROU) asset has been impaired and a provision created to cover the unavoidable costs attributable to the vacant portion of property.

The total operating lease expense in 2022 was £3m (2021: £2m).

## A Business and performance (unaudited) (continued)

### A.5 Any other information

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

##### M&G plc

IFRS loss after tax for the year ended 31 December 2022 was £1,619m (2021: £92m profit), 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 14 below.

Figure 14: M&G plc - Consolidated income statement, showing total revenue and charges

	For the year ended 31 December	
	2022 £m	2021 £m
Gross premiums earned	6,507	4,784
Outward reinsurance premiums	(479)	(1,019)
<b>Earned premiums, net of reinsurance</b>	<b>6,028</b>	<b>3,765</b>
Investment return	(15,656)	12,909
Fee income	1,037	983
Other income	46	115
<b>Total revenue, net of reinsurance</b>	<b>(8,545)</b>	<b>17,772</b>
Benefits and claims	6,987	(3,551)
Outward reinsurers' share of benefit and claims	(241)	(8,480)
Movement in unallocated surplus of the With-Profits Fund	1,689	(1,052)
<b>Benefits and claims and movement in unallocated surplus of the With-Profits Fund, net of reinsurance</b>	<b>8,435</b>	<b>(13,083)</b>
Administrative and other expenses	(2,810)	(2,803)
Movements in third-party interest in consolidated funds	547	(1,019)
Finance costs	(162)	(160)
<b>Total charges, net of reinsurance</b>	<b>6,010</b>	<b>(17,065)</b>
Share of profit from joint ventures and associates	38	81
<b>(Loss) / profit before tax<sup>1</sup></b>	<b>(2,497)</b>	<b>788</b>
Tax credit / (charge) attributable to policyholders' returns	379	(707)
<b>(Loss) / profit before tax attributable to equity holders</b>	<b>(2,118)</b>	<b>81</b>
Total tax credit / (charge)	878	(696)
Less tax credit / (charge) attributable to policyholders' returns	(379)	707
<b>Tax credit attributable to equity holders</b>	<b>499</b>	<b>11</b>
<b>(Loss) / profit after tax for the year</b>	<b>(1,619)</b>	<b>92</b>

<sup>1</sup>This measure is the profit before tax measure under IFRS but it is not the result attributable to equity holders. This is principally because the corporate taxes of the Group include those on the income of consolidated with-profits and unit-linked funds that, through adjustments to benefits, are borne by policyholders. These amounts are required to be included in the tax charge of the company under IFRS. Consequently, profit before tax is not representative of pre-tax profits attributable to equity holders. Profit before tax is determined after deducting the cost of policyholder benefits and movements in the liability for unallocated surplus of the With-Profits Fund after adjusting for taxes borne by policyholders.

Other comprehensive income in 2022 totaled an income of £44m net of tax (2021: £37m). These amounts primarily relate to actuarial gains and losses on 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, and the notes to the IFRS consolidated financial statements in the M&G plc 2022 Annual Report and Accounts.

## A Business and performance (unaudited) (continued)

### A.5 Any other information (continued)

#### PAC

Profit after tax for the year ended 2022 was a loss of £(1,413)m (2021: £78m profit), as described in Sections A.2 to A.4 above. Analysis of UK GAAP profit by nature of revenue and charges is shown in the income statement which is shown in Figure 15 below.

Figure 15: PAC - Income statement, showing total revenue and charges

	For the year ended 31 December	
	2022	2021
	£m	£m
Gross premiums earned	6,440	4,717
Outward reinsurance premiums	(455)	(996)
<b>Earned premiums, net of reinsurance</b>	<b>5,985</b>	<b>3,721</b>
Investment return	(14,179)	10,564
Other income	10	13
<b>Total revenue, net of reinsurance</b>	<b>(8,184)</b>	<b>14,298</b>
Claims incurred and changes in other long-term business and technical provisions	1,594	(4,669)
Claims incurred and changes in other long-term business and technical provisions - reinsurers share	64	(7,018)
Change in technical provision for linked liabilities	3,230	225
<b>Claims incurred and changes in other long-term business and technical provisions – Net of reinsurance</b>	<b>4,888</b>	<b>(11,462)</b>
Movement in unallocated surplus of the With-Profits Fund	2,491	(1,745)
Net operating expenses	(674)	(647)
Investment expenses and charges	(360)	(328)
Other charges	(22)	(41)
<b>(Loss) / profit before tax (being tax attributable to shareholders' and policyholders' returns)</b>	<b>(1,861)</b>	<b>75</b>
Tax credit attributable to policyholders' returns	448	3
<b>(Loss) / profit for the financial year</b>	<b>(1,413)</b>	<b>78</b>

Other comprehensive income in 2022 totaled an income of £18m net of tax (2021: £16m income). These amounts primarily relate to actuarial gains and losses on defined benefit pensions obligations. These amounts are net of tax and after allocation to the unallocated surplus of the With-Profits Fund.

#### PPL

Loss after tax for the year ended 2022 was £2m (2021 loss after tax: £1 m), as set out in Figure 11 and discussed in Section A.2.1. Analysis of UK GAAP profit by nature of revenue and charges is shown in the income statement which is shown in Figure 16 below.

Figure 16: PPL - Income statement, showing total revenue and charges

	For the year ended 31 December	
	2022	2021
	£m	£m
Investment return	(30)	636
Unrealised gains/(losses) on investments	(1,403)	(186)
Other income	18	24
<b>Total revenue, net of reinsurance</b>	<b>(1,415)</b>	<b>473</b>
Change in provision for claims - gross amount	(12)	(7)
Change in provision for claims - reinsurers' share	12	7
Change in technical provisions for linked liabilities	1,427	(448)
Net operating expenses	(4)	(3)
Investment expenses and charges	(8)	(17)
Foreign exchange gains/(losses)	(1)	(4)
Foreign taxation	(2)	(2)
<b>(Loss) on ordinary activities before tax</b>	<b>(3)</b>	<b>(1)</b>
Tax credit attributable to shareholders and policyholders	1	—
<b>(Loss) after tax</b>	<b>(2)</b>	<b>(1)</b>

## A Business and performance (unaudited) (continued)

### A.5 Any other information (continued)

#### A.5.2 Geographical segmentation

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

Figure 17: Geographical segmentation of earned premiums and other income

	For the year ended 31 December	
	2022 £m	2021 £m
UK:		
Earned premiums, net of reinsurance	5,199	3,213
Other income	504	571
<b>Total UK</b>	<b>5,703</b>	<b>3,784</b>
Rest of the world:		
Earned premiums, net of reinsurance	829	552
Other income	579	527
<b>Total Rest of the world</b>	<b>1,408</b>	<b>1,079</b>
Total:		
Earned premiums, net of reinsurance	6,028	3,765
Other income	1,083	1,098
<b>Total</b>	<b>7,111</b>	<b>4,863</b>

The geographical analysis of revenues from long-term business is based on the territory of the operating unit assuming the risk. Other income from external customers and clients in the Asset Management business has been updated in the year to reflect the domicile of where revenues are generated rather than the domicile of the client.

The Group's insurance business (including PAC and PPL) is primarily UK based, whilst the Asset Management business' clients are more widely geographically distributed. Income in PAC and PPL is primarily generated in the UK.

#### A.5.3 Premiums, claims, expenses and investment returns

The tables below set out premiums and claims, as measured on a Solvency II basis, split by line of business. These amounts may differ from that shown on a statutory accounts basis in Figures 14 to 16 above due to different valuation bases, as outlined in Section D.

PAC also administrates a small amount of non-life business which is not included in these tables but are reported in the template S.05.01.02 Non-Life for M&G plc and PAC, in the Appendix to this report.

##### A.5.3.1 Premiums by line of business

#### M&G plc

Figure 18: M&G plc - Premiums by Solvency II line of business

For the year ended 31 December	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Accepted life reinsurance	Total	
	£m	£m	£m	£m	£m	£m	
2022	Premiums earned - gross	37	6,254	780	137	22	7,230
	Outward reinsurance premiums	(3)	—	(24)	(453)	(1)	(481)
	<b>Earned premiums, net of reinsurance</b>	<b>34</b>	<b>6,254</b>	<b>756</b>	<b>(316)</b>	<b>21</b>	<b>6,749</b>
2021	Premiums earned - gross	14	4,357	1,473	193	23	6,060
	Outward reinsurance premiums	(4)	—	(27)	(993)	(1)	(1,025)
	<b>Earned premiums, net of reinsurance</b>	<b>10</b>	<b>4,357</b>	<b>1,446</b>	<b>(800)</b>	<b>22</b>	<b>5,035</b>

The gross premiums of £7,230m (2021: £6,060m) shown in Figure 18 is £723m higher (2021: £1,276m higher) than that shown in the IFRS consolidated income statement in Figure 14, as it includes premiums for investment contracts without discretionary participation features (as defined by IFRS 4 Insurance Contracts), which are included in the 'Index-linked and unit-linked insurance' line of business in the table above. Premium income for these contracts is not recognised in the IFRS consolidated income statement since these contracts are accounted for as deposits.

The majority of earned premiums relate to 'Insurance with profit participation' and principally relate to PruFund business, details of which can be seen within the PAC premium analysis below.

## A Business and performance (unaudited) (continued)

### A.5 Any other information (continued)

#### PAC

Figure 19: PAC - Premiums by Solvency II line of business

For the year ended 31 December	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Accepted life reinsurance	Total	
	£m	£m	£m	£m	£m	£m	
2022	Premiums earned - gross	36	5,454	344	121	811	6,766
	Outward reinsurance premiums	(3)	—	(245)	(450)	(1)	(699)
	<b>Earned premiums, net of reinsurance</b>	<b>33</b>	<b>5,454</b>	<b>99</b>	<b>(329)</b>	<b>810</b>	<b>6,067</b>
2021	Premiums earned - gross	13	3,833	410	178	537	4,971
	Outward reinsurance premiums	(4)	—	(261)	(990)	(1)	(1,256)
	Earned premiums, net of reinsurance	9	3,833	149	(812)	536	3,715

Premiums for PAC increased by £1,795m from £4,971m in 2021 to £6,766m in 2022.

The majority of PAC's, and hence M&G plc's, earned premiums relate to 'Insurance with profit participation' and principally relate to PruFund business. Inflows into PruFund business increased over 2022, this was mainly due to the recovery of ISA Premiums, Bonds and Retirement account business.

The gross premiums of £6,766m (2021: £4,971m) shown in Figure 19 is £326m higher (2021: £254m higher) than that shown in the statutory accounts in Figure 15, as it includes premiums for investment contracts without discretionary participation features (as defined by IFRS 4 Insurance Contracts), which are included in the 'Index-linked and unit-linked insurance' line of business in the table above. Premium income for these contracts is not recognised in the IFRS income statement since these contracts are accounted for as deposits.

#### PPL

Figure 20: PPL - Premiums by Solvency II line of business

For the year ended 31 December	Index-linked and unit-linked insurance	Other life insurance	Accepted life reinsurance	Total	
	£m	£m	£m	£m	
2022	Premiums earned - gross	320	—	241	561
	Outward reinsurance premiums	—	—	—	—
	<b>Earned premiums, net of reinsurance</b>	<b>320</b>	<b>—</b>	<b>241</b>	<b>561</b>
2021	Premiums earned - gross	916	—	254	1,170
	Outward reinsurance premiums	—	—	—	—
	Earned premiums, net of reinsurance	916	—	254	1,170

Further to the requirements clarified in the "Commission Implementing Regulation (EU) 2017/2190" regulation dated 24 November 2017, premium and claim figures are included for investment contracts without discretionary participation features in S.05.01. All of PPL's unit-linked insurance products are deemed to be investment-only products and therefore, in PPL's financial statements, deposit accounting adjustments are made to remove these premiums and claims. Deposits received in 2022 were £561m (2021: £1,170m). The reduction of £609m is primarily due to lower single premium receipts from PPL's direct group pension business.



## A Business and performance (unaudited) (continued)

### A.5 Any other information (continued)

#### A.5.3.2 Benefits and claims by line of business

##### M&G plc

Figure 21: M&G plc - Benefits and claims by Solvency II line of business

For the year ended 31 December	Health insurance £m	Insurance with profit participation £m	Index-linked and unit-linked insurance £m	Other life insurance £m	Accepted life reinsurance £m	Total £m	
2022	<b>Claims incurred and changes in other long-term business and technical provisions, gross of reinsurance</b>	<b>(20)</b>	<b>2,177</b>	<b>873</b>	<b>2,957</b>	<b>13</b>	<b>6,000</b>
	<b>Reinsurers share of claims incurred and changes in other long-term business and technical provisions</b>	<b>9</b>	<b>-3</b>	<b>3</b>	<b>(248)</b>	<b>1</b>	<b>(238)</b>
	<b>Claims incurred and changes in other long-term business and technical provisions, net of reinsurance</b>	<b>(11)</b>	<b>2,174</b>	<b>876</b>	<b>2,709</b>	<b>14</b>	<b>5,762</b>
2021	Claims incurred and changes in other long-term business and technical provisions, gross of reinsurance	21	(10,651)	(2,788)	8,577	(36)	(4,877)
	Reinsurers share of claims incurred and changes in other long-term business and technical provisions	(27)	—	32	(8,470)	1	(8,464)
	Claims incurred and changes in other long-term business and technical provisions, net of reinsurance	(6)	(10,651)	(2,756)	107	(35)	(13,341)

The 'Claims incurred and changes in other long-term business technical provisions, net of reinsurance' of £5,762m (2021: £13,341m) differs from £6,746m (2021: £12,031m) shown in the IFRS consolidated income statement, excluding movement in the unallocated surplus of the With-Profits Fund, in Figure 14. This is primarily as it includes amounts relating to investment contracts without discretionary participation features (as defined by IFRS 4 insurance contracts). Benefits and claims for these contracts are not recognised in the IFRS consolidated income statement since these contracts are accounted for as deposits.

Claims incurred and changes in other long-term business and technical provisions, gross of reinsurance' totaled £6,000m in 2022 (2021: £4,877m). This reflects benefit and claim payments of £14,341m (2021: £16,398m) and a £20,341m (2021: £11,521m) reduction in technical provisions from a number of factors including new business, non-economic assumption changes and variances, and market movements.

##### PAC

Figure 22: PAC - Benefits and claims by Solvency II line of business

For the year ended 31 December	Health insurance £m	Insurance with profit participation £m	Index-linked and unit-linked insurance £m	Other life insurance £m	Accepted life reinsurance £m	Total £m	
2022	<b>Claims incurred and changes in other long-term business and technical provisions, gross of reinsurance</b>	<b>(20)</b>	<b>2,742</b>	<b>90</b>	<b>2,988</b>	<b>(581)</b>	<b>5,219</b>
	<b>Reinsurers share of claims incurred and changes in other long-term business and technical provisions</b>	<b>9</b>	<b>(3)</b>	<b>(155)</b>	<b>(250)</b>	<b>1</b>	<b>(398)</b>
	<b>Claims incurred and changes in other long-term business and technical provisions, net of reinsurance</b>	<b>(11)</b>	<b>2,739</b>	<b>(65)</b>	<b>2,738</b>	<b>(580)</b>	<b>4,821</b>
2021	Claims incurred and changes in other long-term business and technical provisions, gross of reinsurance	21	(9,701)	(1,580)	8,454	(929)	(3,735)
	Reinsurers share of claims incurred and changes in other long-term business and technical provisions	(27)	1	718	(8,472)	(1)	(7,781)
	Claims incurred and changes in other long-term business and technical provisions, net of reinsurance	(5)	(9,700)	(862)	(18)	(930)	(11,515)

The Claims incurred and changes in other long-term business and technical provisions, net of reinsurance of £4,821m analysed in Figure 15 above, differs from £4,888m shown in the UK GAAP Revenue and Expenses. The Claims incurred and changes in other long-term business and technical provisions net of reinsurance under UK GAAP includes £15m (2021: £12m) of claims handling expenses and a reduction in other charges of £18m (2021: £6m decrease). These amounts are not included in the benefits and claims net of reinsurance

## A Business and performance (unaudited) (continued)

### A.5 Any other information (continued)

£4,821m analysed above in Figure 22 on a Solvency II basis, which also includes £(117)m (2021: £71m) deposit accounting not included in Figure 15 on a UK GAAP basis.

Claims incurred and changes in other long-term business and technical provisions (gross of reinsurance) has gone from a £3,735m expense in 2021 to £5,219m income in 2022. The £8,954m movement consisted of £1,348m reduction in claims incurred and a £7,605m release of the Long term business and other Technical provisions.

The fall in claims incurred was mainly as a result of the £1,324m reduction in Index-linked, unit-linked insurance and Other life insurance which was due to the negative investment returns seen in 2022.

The other long term business provision and technical provisions decrease was due to £5,121m increase in Other life, index linked and unit linked business due to negative investment returns in 2022, offset by £12,381m decrease in Insurance with profit participation, which was due to the run off of in force business and the negative investment returns in the year.

The reduction in the reinsurers share in 2022 was primarily driven by the derecognition of the reinsurance asset following the Part VII transfer of annuities business.

### PPL

Figure 23: PPL - Benefits and claims by Solvency II line of business

		Index-linked and unit- linked insurance	Other life insurance	Accepted life reinsurance	Total
		£m	£m	£m	£m
2021	Claims incurred and changes in other long-term business and technical provisions, gross of reinsurance	(524)	8	(342)	(858)
	Reinsurers share of claims incurred and changes in other long-term business and technical provisions		(8)		(8)
	<b>Claims incurred and changes in other long-term business and technical provisions, net of reinsurance</b>	<b>(524)</b>	<b>—</b>	<b>(342)</b>	<b>(866)</b>
2021	Claims incurred and changes in other long-term business and technical provisions, gross of reinsurance	(918)	3	(700)	(1,615)
	Reinsurers share of claims incurred and changes in other long-term business and technical provisions		(3)		(3)
	<b>Claims incurred and changes in other long-term business and technical provisions, net of reinsurance</b>	<b>(918)</b>	<b>—</b>	<b>(700)</b>	<b>(1,618)</b>

PPL made payments to policyholders of investment contracts of £866m (2021: £1,618m). The decrease of £752m is mainly attributable to larger corporate pension scheme exits in 2021 compared to 2022. PPL's other life insurance business consists of an annuity product which is closed to new business. Claims of £8m (2021: £3m) were paid to policyholders, but this was fully recovered from PAC as part of a reinsurance agreement.

#### A.5.3.3 Acquisition costs and other expenditure

##### M&G plc

Total administrative expenses were £2,810m (2021: £2,803m). Administrative expenses included £148m (2021: £145m) related to acquisition costs and amortisation/impairment of deferred acquisition costs, £190m (2021: £200m) of commission expenses, and £134m (2021: £165m) of investment management expenses.

A more detailed analysis of the Group's administrative expenses is provided in Note 6 of the M&G plc 2022 Annual Report and Accounts. This differs from the total expenses reported in the S.05.01.02 templates in the Appendix to this report as these reflect expenses only in relation to the insurance business of the Group.

##### PAC

Net operating expenses were £674m (2021: £647m). Net operating expenses included £543m (2021: £518m) related to administrative expenses and £131m (2021: £129m) related to acquisition costs and amortisation/impairment of deferred acquisition costs. Investment expenses and charges are comprised of investment management expenses of £353m (2021: £319m), plus interest on bank borrowings of £7m (2021: £9m).

Administration expenditure has increased by £25m mainly due to increased transformation costs, operating expenses and project costs in 2022. The increase in investment management expenses is detailed in section A.3.2.

There was lower interest on borrowings mainly as a result of negative interest applied to external borrowings.

##### PPL

Net operating expenses consist of acquisition costs of £0.1m (2021: £0.2m) and administrative expenditure of £4.4m (2021: £3.5m). Investment expenses and charges of £9m (2021: £16.9m) are comprised solely of investment management expenses.

Administrative expenditure has increased by £2.4m mainly due to increased staff costs, transformation cost and IFRS 17 costs in 2022. This is offset by a £1.0m decrease in accommodation costs, IT costs, restructuring costs and projects costs. The decrease in investment management expenses is detailed in section A.3.2.

## A Business and performance (unaudited) (continued)

### A.5 Any other information (continued)

#### A.5.3.4 Investment return by asset class

##### M&G plc

Figure 24: M&G plc - Investment return

	For the year ended 31 December	
	2022	2021
	£m	£m
<b>Income</b>		
Investment properties	884	973
Loans	193	208
Equity securities and portfolio holdings in unit trusts	2,234	2,072
Debt securities	2,010	1,967
Other investments (including deposits)	217	9
<b>Total income</b>	<b>5,538</b>	<b>5,229</b>
<b>Investment (losses) / gains and other investment return</b>		
Investment properties	(1,477)	1,258
Loans	(783)	32
Equity securities and portfolio holdings in unit trusts	(2,876)	9,298
Debt securities	(12,637)	(2,732)
Derivatives	(3,983)	(56)
Foreign exchange	562	(120)
<b>Total investment (losses) / gains and other investment return</b>	<b>(21,194)</b>	<b>7,680</b>
<b>Total investment return</b>	<b>(15,656)</b>	<b>12,909</b>

For the year ended 31 December 2022 rental income from investment property was £884m (2021: £973m). Direct operating expenses including repairs and maintenance arising from these properties for the year ended 31 December 2022 were £154m (2021: £190m).

Total investment returns decreased to a loss of £15,656m (2021: gain of £12,909m), primarily as a result of falls in equity markets, and unrealised losses on debt securities, as US and UK yields have risen during 2022.

##### PAC

Figure 25: PAC - Investment return

	For the year ended 31 December	
	2022	2021
	£m	£m
<b>Income</b>		
Investment properties	408	440
Loans	148	146
Equity securities and portfolio holdings in unit trusts	1,633	2,241
Debt securities	1,610	1,676
Other investments (including deposits)	652	91
<b>Total income</b>	<b>4,451</b>	<b>4,594</b>
<b>Investment (losses) / gains and other investment return</b>		
Investment properties	(1,228)	644
Loans	(739)	(58)
Equity securities and portfolio holdings in unit trusts	(2,847)	8,067
Debt securities	(10,369)	(2,450)
Derivatives	(4,266)	(135)
Foreign exchange	819	(98)
<b>Total investment (losses/gains) and other investment return</b>	<b>(18,630)</b>	<b>5,970</b>
<b>Total investment return</b>	<b>(14,179)</b>	<b>10,564</b>

Total income has decreased by £143m from £4,594m in 2021 to £4,451m in 2022. Equity securities contributed a decrease of £608m and debt securities contributed a £66m decrease. These were partially offset by a £561m increase in other investments (including deposits).

Investment return from equity securities and portfolio holdings in unit trusts has decreased by £10,914m from a profit of £8,067m in 2021 to a loss of £2,847m primarily due to negative investment returns on equities in 2022 and realisation of losses on disposals during the year. Investment return from debt securities has reduced by £7,919m with negative returns of £10,369m in 2022 mainly due to valuation losses due to rising bond yields. Returns from derivatives have also decreased by £4,131m from a loss of £135m in 2021 to a loss of £4,266m in 2022, due to realised gains outweighed by valuation losses.

Returns from investment property has decreased by £1,872m from a gain of £644m to a loss of £1,228m in 2022.

## A Business and performance (unaudited) (continued)

### A.5 Any other information (continued)

#### PPL

Figure 26: PPL - Investment return

	For the year ended 31 December	
	2022 £m	2021 £m
<b>Income</b>		
Equity securities and portfolio holdings in unit trusts	190	421
Debt securities	(230)	209
Other investments (including deposits)	10	5
<b>Total income</b>	<b>(30)</b>	<b>636</b>
<b>Investment gains/(losses) and other investment return</b>		
Equity securities and portfolio holdings in unit trusts	(493)	200
Debt securities	(912)	(383)
Other investments (including deposits)	2	(3)
<b>Total investment (losses) and other investment return</b>	<b>(1,403)</b>	<b>(186)</b>
Foreign exchange	(1)	(4)
<b>Total investment return</b>	<b>(1,434)</b>	<b>446</b>

During 2022 there has been a decrease in total investment return which is mainly due to fair value losses on equity and debt securities as a result of the adverse market conditions in 2022.

#### A.5.4 Post balance sheet events

##### Post balance sheet acquisitions (M&G plc)

On 3 August 2022, M&G Wealth Advice Limited, a wholly owned subsidiary of the Group, agreed to acquire a 49.9% holding in My Continuum Financial Limited (MCFL). MCFL is the holding company of Continuum (Financial Services) LLP (CFSL) and My Continuum Wealth (MCW). CFSL is a regulated entity engaged in providing wealth management services to retail clients through a network of independent financial advisors whereas MCW provides in-house portfolio management services through provision of model portfolios.

The transaction required regulatory approval, which was granted on 3 February 2023, and acquisition of the initial stake completed on 8 March 2023 and from this date the investment was recognised as an investment in associate accounted for under the equity method on the consolidated statement of financial position.

The agreement provides the Group the call option and the sellers the put option to allow acquisition of the remaining holding in MCFL over 2 years from the completion date

In addition, as referenced in Note 2 of the Annual Report and Accounts, the Group retained call options and the seller retained put options over the remaining shareholding in responsibility that the Group did not purchase at the acquisition date. The Group has subsequently acquired the remaining shares on 21 February 2023.

##### With-Profits Sub Fund excess surplus distribution (M&G plc & PAC)

On 23 February 2023, the With-Profits Fund declared a distribution of £3bn to the policyholders comprised of the annual with-profits bonus declaration, and an extra distribution to eligible policyholders. The extra distribution of £1bn was made by announcing an additional bonus of 1.25% to enhance the unsmoothed value of plans for customers with traditional and accumulating policies. It may be necessary to take back the additional bonus in order to protect the interest of all customers and the strength of the fund at a future date, although this is not expected to happen. For PruFund customers, additional surplus was shared by increasing the unit price by 0.90%.

##### Dividend payments (M&G plc & PAC)

###### M&G plc

On 9 March 2023, M&G plc declared a second interim dividend for 2022 of 13.4 pence per ordinary share and, an estimated £310m in total. The dividend is expected to be paid on 27 April 2023. This dividend was not deemed foreseeable as at 31 December 2022 and therefore not deducted from own funds.

###### PAC

On 7 March 2023 the Company approved a final dividend in respect of 2022 of £333m to be paid to M&G plc. This is not recognised in the 2022 financial statements or the Solvency II position at 31 December 2022 as it is not considered a foreseeable dividend.

## B System of governance (Unaudited)

### B.1 General information on the system of governance

#### B.1.1 Overview

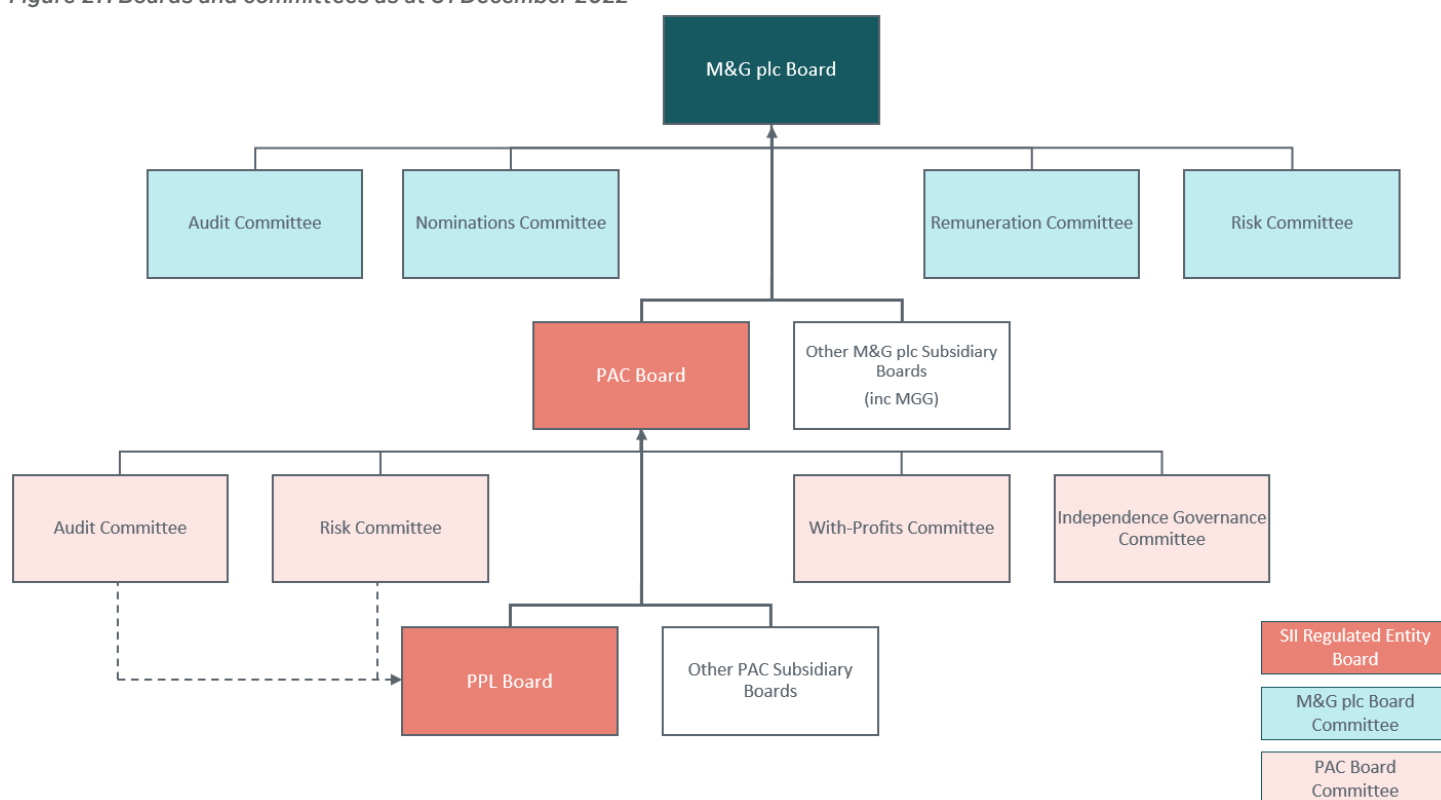
The PRA requires that firms have in place an effective system of governance, which provides for the sound and prudent management of the business. The system of governance must include an adequate and transparent organisational structure with clear allocation and appropriate segregation of responsibilities.

The M&G plc Board has responsibility for the oversight, governance, direction, long-term sustainability and success of the business and affairs of the Group and is responsible to shareholders for creating and delivering sustainable shareholder value. Key subsidiaries have their own separate boards recognising their obligation to take decisions independently in the interest of their customers and clients, as well as to meet relevant legal and governance responsibilities.

The membership of each board includes independent NEDs with the Group complying with the requirements of the UK Corporate Governance Code in relation to the balance of Executive Directors and NEDs on the boards and their committees. The NEDs are responsible for both supporting and overseeing executive management whilst sharing in the wider duty to promote the success of the Group.

The boards have established a number of committees to support their decision making which are independently overseen by the NEDs. The terms of reference for each of the board's committees are approved by the respective board and updated as necessary. In addition, each committee Chair provides regular reports to the boards on the matters covered at each committee meeting. The board and committee structure for M&G plc, PAC and PPL as at 31 December 2022 is set out in Figure 27 below.

Figure 27: Boards and committees as at 31 December 2022



To assist the boards in identifying and managing significant risks, the Group has implemented a 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.

The Group's governance is designed to support a clear understanding and delivery of its strategy. Compliance with the GGF, including the Risk Management Framework (RMF), is attested to annually. The GGF sets out the respective roles and responsibilities between the Company and its subsidiaries, allowing for the appropriate management of potential conflicts of interest, as well as the required interactions and two way flow of information and escalation of issues.

## B System of governance (Unaudited) (continued)

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

#### B.1.2 Board Structure and Responsibilities

##### B.1.2.1 M&G plc

###### *Composition of the M&G plc Board*

The M&G plc Board comprised nine members as at 31 December 2022:

- A Chair: Edward Braham.
- Six independent NEDs: Fiona Clutterbuck (Senior Independent Director (SID)), Massimo Tosato, Clive Adamson, Clare Chapman, Clare Thompson and Dev Sanyal.
- Two Executive Directors: Andrea Rossi, Group Chief Executive Officer (Group CEO) and Kathryn McLeland, Chief Financial Officer (CFO).

###### *M&G plc Board Responsibilities*

The Board's key responsibilities are detailed in Figure 28 below. In discharging its responsibilities the M&G plc Board is supported by management and ensures a clear division of responsibilities between the Chair, the CEO, the SID and the NEDs.

**Figure 28: Key M&G plc Board responsibilities**

Key Area	Responsibilities
Business, strategy and culture	<ul style="list-style-type: none"> <li>– Setting the business strategy, purpose, values, standards and culture, taking into account risk appetite, tolerance, other key risk factors and long term success.</li> <li>– Approval of the strategic aims, objectives and purpose including around ESG.</li> <li>– Setting the tone for and monitoring culture.</li> <li>– Review of performance in light of the strategic aims.</li> <li>– Review of workforce policies and practices for consistency with the Group's values.</li> <li>– Setting the Environmental, Social and Governance (ESG) strategy and ESG values and principles.</li> <li>– Approving the annual financial budgets and material expenditure.</li> <li>– Extension of activities into a new form of business and/or geographic region(s).</li> <li>– Any decision to cease to operate and/or divest of any material part of the business.</li> <li>– Overseeing the management of potential conflicts within the Group.</li> </ul>
Financial reporting and controls	<ul style="list-style-type: none"> <li>– Approving the consolidated Annual Report and Accounts.</li> <li>– Approving periodic reporting, including announcements of annual and half yearly results.</li> <li>– Approving the dividend policy and any periodic dividends, and other corporate actions.</li> </ul>
Communication	<ul style="list-style-type: none"> <li>– Ensuring a satisfactory dialogue with shareholders based on the mutual understanding of objectives.</li> <li>– Ensuring a satisfactory dialogue with other major stakeholders, in particular the workforce.</li> <li>– Approving documentation to be put forward to shareholders and material regulatory and other stock market announcements.</li> </ul>
Board and other appointments	<ul style="list-style-type: none"> <li>– Approving changes to the structure, size and composition of, and appointments to, the Board and its committees.</li> <li>– Ensuring adequate succession planning for the Board and senior management.</li> <li>– Determining the independence of NEDs in light of their character, judgement and relationships.</li> </ul>
Risk and internal controls	<ul style="list-style-type: none"> <li>– Overseeing effective risk management and internal control processes.</li> <li>– Setting the risk appetite and tolerance.</li> <li>– Periodically reviewing the risk strategy.</li> </ul>
Remuneration	<ul style="list-style-type: none"> <li>– Approving, following recommendation from the Remuneration Committee, the Remuneration Policy and approving, for submission to shareholders, the Directors' Remuneration Policy.</li> </ul>
Structure and capital	<ul style="list-style-type: none"> <li>– Approving changes relating to capital structure.</li> <li>– Approving the establishment of Medium Term Note and Commercial Paper programmes.</li> <li>– Approving any major changes to the corporate or listed structure.</li> </ul>
Delegation of authority	<ul style="list-style-type: none"> <li>– Approving the delegation of responsibility between the chair, the CEO and other Executive Directors.</li> <li>– Establishing board committees and approving their terms of reference.</li> </ul>
Other	<ul style="list-style-type: none"> <li>– Approving major contractual obligations or undertaking with a material contingent liability.</li> <li>– Approving policies escalated by management.</li> <li>– Approving the overall levels of insurance, including Directors' and Officers' liability insurance and indemnification of Directors.</li> </ul>

## B System of governance (Unaudited) (continued)

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

#### M&G plc Board and Executive Committees

The M&G plc Board has delegated certain responsibilities to its committees with the role of each principal committee summarised in Figure 29 below.

Figure 29: Summary of the role of board committees as at 31 December 2022

Committee	Responsibilities
<b>Audit</b> Chair: Clare Thompson	<ul style="list-style-type: none"> <li>Reviewing the effectiveness of the system of internal financial controls and internal control systems and whistleblowing procedures.</li> <li>Reviewing the financial statements, related announcements and other financial information provided to shareholders and other stakeholders.</li> <li>Monitoring and reviewing internal audit activities, reports and findings.</li> <li>Receiving and reviewing reports from external auditors.</li> <li>Monitoring the effectiveness and independence of external auditors and making recommendations to the Board in respect of their remuneration.</li> </ul>
<b>Remuneration</b> Chair: Clare Chapman	<ul style="list-style-type: none"> <li>Establishing, approving and maintaining the principles and framework of the remuneration policies and ensuring compliance with those policies.</li> <li>Determining the design, implementation and operation of remuneration arrangements for the Chair of the Board, the Executive Directors, members of senior management, and 'identified staff' for all remuneration regulations that apply to the Group and overseeing remuneration for individuals whose total remuneration exceeds an amount determined by the Committee from time to time.</li> </ul>
<b>Nomination</b> Chair: Edward Braham	<ul style="list-style-type: none"> <li>Overseeing the composition of the Board and its committees.</li> <li>Assisted by HR, recruitment of new Board members.</li> <li>Succession planning for the Board and its Committees.</li> <li>Taking an active role, together with HR and other management, with respect to the diversity and inclusion strategy and associated objectives, including monitoring of their effectiveness.</li> </ul>
<b>Risk</b> Chair: Clive Adamson	<ul style="list-style-type: none"> <li>Advising the Board on emerging risks, risk strategy, risk policies, risk appetite and current risk exposures.</li> <li>Overseeing the implementation and maintenance of the overall RMF and systems.</li> <li>Overseeing procedures for detecting fraud, preventing bribery and noncompliance.</li> <li>Reviewing risk assessment processes and capability to identify and manage new risks.</li> <li>Assessing risks related to ESG matters within the RMF.</li> </ul>

The M&G plc Board and its committees are supported in their duties by senior management. In particular, the Executive Committee shown in Figure 30 below advises the CEO on any matters they require, including but not limited to development and implementation of strategy, operational plans, policies, procedures and budgets; prioritisation and allocation of resources; and promotion of the Group's culture and values.

Figure 30: Composition of the M&G plc senior management team (Executive Committee) as at 31 December 2022

M&G plc Senior Management	Executive Committee		
	Member	Member	Member
Attendee	<b>Andrea Rossi</b> Chief Executive Officer	<b>Kathryn McLeland</b> Chief Financial Officer	<b>Clare Bousfield</b> Managing Director, Retail and Savings
	<b>Jonathan Daniels</b> Managing Director, Asset Management & Chief Investment Officer	<b>Peter Grewal</b> Chief Risk & Compliance Officer	<b>Matt Howells</b> Chief People and Corporate Affairs Officer
	<b>Vanessa Murden</b> Chief Operating Officer	<b>Benoit Mace</b> Chief Strategy Officer	<b>Catherine Ross</b> Head of Private Credit and Culture Lead
	<b>Andrew Brown</b> Interim Director of Corporate Affairs	<b>Alan Porter</b> Group General Counsel and Company Secretary	<b>Karen Connell</b> Interim Chief of Internal Audit

## B System of governance (Unaudited) (continued)

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

#### M&G plc Key Functions

As the Company itself is not authorised by the PRA or FCA, it is not required to identify Key Functions under Solvency II however, further information on Key Functions identified by PAC can be found in Section B.1.2.2.

#### Changes in the M&G plc system of governance

The following changes were made to the M&G plc Board, board committees and the Executive Committee since 31 December 2021:

- Edward Braham joined as new Chair of the Board on 14 March 2022, following regulatory approval, with Fiona Clutterbuck stepping down as interim Chair and resuming her role as Senior Independent Director.
- Kathryn McLeland joined the M&G plc Board and Executive Committee as the new Chief Financial Officer of M&G plc on 3 May 2022, following regulatory approval.
- Dev Sanyal joined the M&G plc Board on 16 May 2022 as an independent NED.
- Andrea Rossi joined the M&G plc Board and Executive Committee as the new Group Chief Executive Officer (CEO) of M&G plc on 10 October 2022, following regulatory approval. He replaced John Foley.
- Matt Howells joined the Executive Committee on 1 January 2022 as Chief People and Corporate Affairs Director. His role changed to Chief People Officer on 17 January 2023.
- David Macmillan, Chief Customer and Innovation Officer, stepped down from the Executive Committee on 21 September 2022.
- Vanessa Murden joined the Executive Committee on 3 May 2022 as Chief Operating Officer and stepped down from the Executive Committee on 17 January 2023. Due to operational decision making moving to the business units the COO role is no longer required and, after an orderly transition of responsibilities, Vanessa Murden is due to leave the business in 2023.
- Richard Miles stepped down as an attendee of the Executive Committee 20 June 2022, and was replaced on an interim basis by Andrew Brown until 17 January 2023. Louise Shield joined the Executive Committee on 17 January 2023 as Corporate Affairs Director.
- Ian Robinson, Chief of Internal Audit, stepped down as an attendee at the Executive Committee on 21 September 2022, and was replaced on an interim basis by Karen Connell.
- Benoit Mace joined the Executive Committee on 17 October 2022 as Chief Strategy Officer. His role changed to Chief Strategy and Transformation Officer in January 2023.
- Claire Bousfield's title was changed to Retail and Savings CEO on 17 January 2023 to reflect operational decision making moving to the business units.
- Catherine Ross stepped down from the Executive Committee in January 2023 after her work on the culture programme came to an end.
- Joseph Pinto joined the Executive Committee on 13 March 2023 as Asset Management CEO, replacing Jonathan Daniels who stepped down as Managing Director Asset Management and Chief Investment Officer on 13 March 2023.
- Alan Porter has announced his intention to leave M&G plc after the AGM in May 2023.

#### B.1.2.2 PAC

##### Composition of the PAC board

The PAC board comprised eight members as at 31 December 2022:

- An independent NED and Chairman: Ronnie Bowie.
- Five independent NEDs: Clive Adamson (also a NED of the M&G plc Board), Ian Owen, Mariken Tannemaat, Louise Fowler and David Watson.
- Two Executive Directors: The Managing Director for Retail and Savings (and also PAC Chief Executive Officer), Clare Bousfield and the PAC Chief Financial Officer, Spencer Horgan.

The Managing Director for Retail & Savings has responsibility for the operational management of PAC and its subsidiaries and may sub-delegate their authority as they determine.

##### PAC board responsibilities

The PAC board has responsibility for the oversight, governance, direction, long-term sustainability and success of PAC and is authorised to exercise all the powers of PAC subject to complying with the GGF as described in Section B.1.1. The responsibilities of the PAC board are detailed in terms of reference which are broadly consistent with those of the M&G plc Board described in Figure 28 in the context of PAC as an entity of the Group. In addition the PAC board is also responsible for:

- **With-Profits:** ensuring that the interests of the with-profits policyholders are appropriately considered in relation to matters affecting with-profits policyholders as a whole or as separately identifiable groups of policyholders.
- **Investment Strategy:** inputting into the development of, and approving, the investment strategy relevant to PPL, Prudential Lifetime Mortgages Limited and PIA in the context of the Group's business strategy. Monitoring the implementation of PAC's investment strategy and overseeing any corrective action taken by PAC.

##### PAC board and Executive Committees

The PAC board has delegated certain responsibilities to its committees as detailed in Figure 31 below. The committees assist the PAC board in meeting its responsibilities in respect of PAC; direct subsidiaries PPL, Prudential Lifetime Mortgages Limited and sister subsidiaries Prudential Distributions Limited and Prudential UK Services Limited.



## B System of governance (Unaudited) (continued)

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

Figure 31: Summary of the role of PAC board committees as at 31 December 2022

Committee	Responsibilities
<b>Audit</b> Chair: David Watson	<ul style="list-style-type: none"> <li>The terms of reference for the PAC Audit and Risk Committees are broadly consistent with those of the M&amp;G plc Audit and Risk Committees described in Figure 29 in the context of PAC as an entity of the Group.</li> </ul>
<b>Risk</b> Chair: Clive Adamson	
<b>With-Profits</b> Chair: Robert Talbut	<ul style="list-style-type: none"> <li>Inform the decision making of the PAC board and of each of its relevant subsidiaries.</li> <li>Ensure that the interests of with-profits policyholders are appropriately considered within PAC's governance structures.</li> <li>To consider issues affecting with-profits policyholders as a whole or as separately identifiable groups of policyholders.</li> </ul>
<b>Independent Governance</b> Chair: Bruce Rigby	<ul style="list-style-type: none"> <li>Assess, raise concerns and report on the value for money of PAC's contract-based defined contribution workplace pension schemes solely in the interest of pension scheme members.</li> <li>Focus on the quality of the schemes and ongoing review of compliance with regulatory and legislative requirements.</li> </ul>

The PAC board and its committees are supported in their duties by senior management. The company's Key Function Holders are shown in Figure 32 below.

Figure 32: PAC Key Function Holders as at 31 December 2022

<b>PAC Key Function Holders</b>	<b>Clare Bousfield</b> Chief Executive – SMF01 Executive Director – SMF03	<b>Jonathan Hughes</b> Actuarial – SMF20	<b>David Nancarrow</b> Compliance – SMF16
	<b>Spencer Horgan</b> Finance – SMF02 Executive Director – SMF03	<b>Matt Howells</b> HR – SMF07	<b>Karen Connell</b> Internal Audit – SMF05 Interim Group Entity Senior Manager – SMF07
	<b>David King</b> Investments – SMF18	<b>Chris Cochrane</b> IT – SMF24	<b>Guy Barton</b> Risk – SMF04
	<b>Vanessa Murden</b> Operations – SMF07	<b>Lee Bullen</b> Chief Operations – SMF24 Head of Key Business Area – SMF06	

KFH accountabilities for Money Laundering Reporting, Distribution and With Profits Actuary are currently being assigned as at 31 December 2022

#### PAC Key Functions

As a Solvency II regulated entity, PAC is required to identify its Key Functions under the SMCR. The following key functional control areas support and report to the board committees in accordance with each committee's terms of reference. Further information on these Key Functions is given in the sections referenced below.

- Risk and Compliance (Section B.3.2 and Section B.4.2 respectively)
- Internal audit (Section B.5)
- Actuarial (Section B.6)

It is the responsibility of the Audit Committee to review the resources of Internal Audit through its review of annual plans and progress of their delivery during the year. The Risk Committee is responsible for reviewing the adequacy of the Risk and Compliance Function, including the Actuarial Function, to ensure they have the necessary resources to complete their duties.

## **B System of governance (Unaudited) (continued)**

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

#### *Changes in the PAC system of governance*

The following additional changes to those detailed in Section B.1.2.1 were made to the PAC board and its committees since 31 December 2021:

- John Foley stepped down from the Board on 14 September 2022.
- Spencer Horgan joined the PAC Board as the new Chief Financial Officer of PAC on 15 August 2022, replacing Paul Cooper who stepped down from the PAC Board on 6 May 2022 on leaving M&G plc.

#### **B.1.2.3 PPL**

##### *Composition of the PPL board*

The PPL board comprised four members as at 31 December 2022:

- An independent NED and Chairman, Ronnie Bowie.
- Three Executive Directors, namely, the Chief Executive Officer of PPL, Clare Bousfield (also the PAC Chief Executive Officer), the PPL Chief Financial Officer, Spencer Horgan (also the PAC Chief Financial Officer) and Stuart Paton Evans, Director of Heritage Propositions.

##### *PPL board responsibilities*

The PPL board has responsibility for the oversight, governance, direction, long-term sustainability and success of PPL as a subsidiary of PAC and is authorised to exercise all the powers of PPL subject to complying with the GGF. The PPL board principal responsibilities include:

- Adopting the Group strategy, long-term objectives, annual budgets and business plan and approving any PPL specific subsidiary business plan.
- Monitoring PPL's risk management and internal control processes in line with the Group frameworks.
- Approving any changes relating to PPL's solvency or financial condition.

##### *PPL board and Executive Committees*

As a wholly-owned subsidiary of PAC, the PAC Audit Committee and PAC Risk Committee have responsibility for matters such as the integrity of the financial statements, the effectiveness of internal control and risk management systems and the effectiveness of risk and capital management for all financial and non-financial risks, where there may be an impact on PPL. The role of the PAC Audit Committee and PAC Risk Committee is summarised in Figure 31 with the PAC Key Function Holders shown in Figure 32.

##### *PPL Key Functions*

As a Solvency II regulated entity, PPL is required to identify its Key Functions under the SMCR. As a wholly-owned subsidiary of PAC, PPL operates under the same Key Functions as PAC as detailed in Section B.1.2.2.

##### *Changes in the PPL system of governance*

The following changes were made to the PPL board and its committees since 31 December 2021:

- Spencer Horgan joined the PPL Board as the new Chief Financial Officer of PPL on 15 August 2022, replacing Paul Cooper who stepped down from the PPL Board on 6 May 2022 on leaving M&G plc.
- Stuart Paton Evans joined the PPL Board as a director on 28 November 2022.

### **B.1.3 Remuneration**

#### *Remuneration Committee and strategy*

The M&G plc Board has established a Remuneration Committee to ensure the alignment of the remuneration policies and structures with the business strategy, risk management policies and appetite limits, conduct, culture and behaviours, sustainability and long-term interests of customers and shareholders. The Remuneration Committee's principal responsibilities are summarised in Figure 29.

To support its remuneration strategy the Group has implemented two policies, the Director's Remuneration Policy covering directors of the M&G plc Board and the Remuneration Policy that applies to all other employees (including directors of the PAC and PPL boards). The policies have been designed with the aim of implementing remuneration structures and processes that adhere to the following principles detailed in Figure 33 below.

## B System of governance (Unaudited) (continued)

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

Figure 33: Director's Remuneration Policy and Remuneration Policy principles

Policy	Terms of Reference
Director's Remuneration Policy	<ul style="list-style-type: none"> <li>– Remuneration packages are appropriately positioned relative to the scope and complexity of the roles and relevant market benchmarks to attract, retain and motivate employees with the required skills and experience to deliver the strategic objectives.</li> <li>– Simple and transparent incentives provide clear alignment of objectives and performance with the financial and non-financial strategic priorities.</li> <li>– A strong focus on adherence to the risk management policies and appetite limits to ensure performance is delivered in the long term interests of the Company, customers and shareholders.</li> <li>– 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.</li> <li>– Strong alignment between remuneration and the long-term interests of the Company through a significant proportion of executive packages being delivered in shares for three to five years, a shareholding requirement policy and two-year post-employment shareholding requirement policy. Key focus on positive customer outcomes and quality of customer engagement.</li> <li>– Support for the Company's purpose and values to build a safe, respectful and inclusive culture through remuneration policies and schemes that promote and reward good conduct and behaviours for the benefit of our customers and colleagues.</li> <li>– Promotion of a positive culture for employees and customers with demonstrable alignment to remuneration outcomes where our standards for conduct and behaviours are not met, including a robust individual performance assessment process and malus and clawback policy.</li> </ul>
Remuneration Policy	<ul style="list-style-type: none"> <li>– Promote the long-term success of the Group.</li> <li>– Attract, motivate and retain the best talent to help ensure continued growth and success of the Group.</li> <li>– Support the Group's purpose and values to build a safe, respectful and inclusive culture through remuneration policies and schemes that promote and reward good conduct and behaviours for the benefit of our customers and colleagues.</li> <li>– Align the interests of the Executive Directors, Senior Managers and employees with the interests of current and future shareholders and other stakeholders.</li> <li>– Strike an appropriate balance between short-term and long-term performance with strong linkage to Group performance, effective risk management, management of conflicts of interest, customer outcomes, the culture and values of the Group and long-term shareholder value creation.</li> <li>– Be simple and transparent, both externally and to Colleagues.</li> <li>– Be compliant with relevant remuneration regulation requirements.</li> </ul>

The first Directors' Remuneration Policy was approved by shareholders in May 2020 for a 3-year period from 1 January 2020. Any future changes to the Directors Remuneration Policy are subject to shareholder consultation and approval prior to implementation. The Remuneration Policy is reviewed and approved annually by the Remuneration Committee. As part of this review the PAC board, and other relevant subsidiary boards, are engaged to provide feedback prior to its' adoption for the upcoming year. Reapproval for the Directors' Remuneration Policy by shareholders for a 3 year period from 1 January 2023 will be sought at the M&G plc AGM in May 2023.

#### Remuneration architecture

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

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

Short-term incentives are determined by reference to a combination of financial and non-financial measures and individual performance objectives reflecting the level, nature and scope of an individual's role and the practice in the market. Individual incentive outcomes must transparently reflect individual performance in accordance with performance management policies and processes, adherence to risk management policies and conduct and behaviour, including reference to customer impacts and culture/values. The Group operates a discretionary short-term incentive policy, including the possibility of not paying an incentive, based on financial, non-financial and individual objectives criteria. Short-term incentives are subject to the Group's deferral policy, with deferred awards granted over M&G plc shares and subject to malus during the vesting period.

Long-term incentive plan awards are designed to provide long-term alignment of executive remuneration to sustained business performance relative to long-term strategic objectives and shareholder value creation. Executive Directors are eligible to participate in a long-term incentive plan at the discretion of the committee. Awards are normally granted annually over M&G plc shares.

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

## **B System of governance (Unaudited) (continued)**

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

#### *Remuneration for NEDs*

The remuneration of NEDs is determined in accordance with the Company's Articles of Association and reflects the time commitment and responsibilities of the role.

All NEDs receive a basic fee for their duties as a board member. The Chair of the M&G plc Board additionally receives medical cover for themselves and their 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 Group, including any tax liabilities arising in relation to such business expenses.

#### *Remuneration governance*

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

The Risk Committee provides independent input to the Remuneration Committee to help with the assessment of scheme design and outcomes to ensure that they are consistent with these principles and policies. A formal risk and compliance report, compiled by the Chief Risk and Compliance Officer (CRCO) and approved by the Risk Committee is submitted to the committee annually to provide an assessment of the effectiveness of the risk and control environment, material events and specific conduct and compliance issues over the 1 and 3 year performance periods of awards.

This enables the Remuneration Committee to determine if the outcome of schemes is appropriate or if any adjustments should be applied at scheme or individual level. This report includes formal input from PAC via a risk and compliance report, compiled by the PAC Chief Risk Officer (CRO) and approved by the PAC Risk Committee. Input from the report is used to assess whether there have been any events that warrant the consideration of malus and/or claw back on previously determined awards.

In addition the PAC board annually reviews and approves the framework of identification criteria and list of Solvency II staff. A representative from the PAC board attends all Remuneration Committee meetings to ensure that the PAC board's views are appropriately considered in decisions taken by that committee.

#### **B.1.4 Material transactions with directors and shareholders**

##### *Transactions with key management personnel*

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

In accordance with the Companies Act 2006, directors are required to disclose any transactions that may represent a conflict of interest to their roles. In 2022, no such transactions have been disclosed.

##### *Transactions with shareholders*

Transactions with shareholders are described in Section A.1.4.3 and A.1.4.4.

##### *Compensation of key management personnel*

The members of the boards and the executive committees 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. Compensation of key management personnel can be found in Directors Remuneration Report section of the M&G plc Annual Report and Accounts.

## **B System of governance (Unaudited) (continued)**

### **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 Financial Conduct Authority (FCA) as holding Senior Management Functions (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.

PAC and PPL, as Solvency II regulated entities, are required to identify Key Functions as detailed in Section B.1.2.2 and name KFHs, the senior manager within the firm in charge of those Key Functions, as shown within Figure 32.

As the Company itself is not authorised by the PRA or FCA, it is not required to identify Key Function Holders under Solvency II, SMFs under the SMCR or Controlled Functions under the Approved Persons Regime. However, except for the General Counsel (for which there is no SMF), members of the Group's senior management team either hold regulatory approval in respect of their roles within PAC and MGG, or are certified given their influence over such subsidiaries.

#### **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 for which you are responsible is controlled effectively.
- Take reasonable steps to ensure that the business of the firm for which you are responsible complies with the relevant requirements and standards of the regulatory system.
- Take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate person and that you oversee the discharge of the delegated responsibility effectively.

There is a further conduct rule which applies to SMFs of Solvency II firms only:

- When exercising your responsibilities, you must pay due regard to the interests of current and potential future policyholders in ensuring the provision by the firm of an appropriate degree of protection for their insured benefits.

There is a further conduct rule which applies to SMFs and NEDs:

- Disclose appropriately any information of which the FCA or PRA would reasonably expect notice.

#### **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.

## B System of governance (Unaudited) (continued)

### B.2 Fit and proper requirements (continued)

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

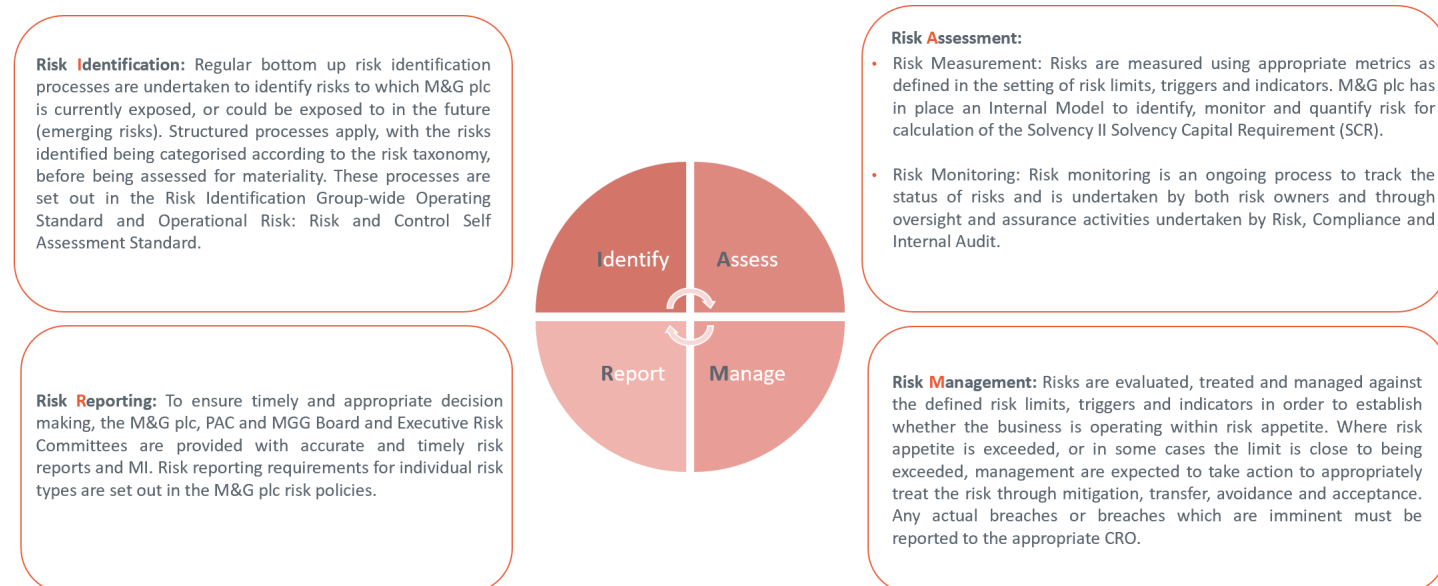
### B.3 Risk management system including the Own Risk and Solvency Assessment

#### B.3.1 Risk governance and the Risk Management Framework

Risk is defined as the uncertainty the Group faces in successfully implementing its strategies and objectives. This includes all internal and external events, acts or omissions that have the potential to threaten the success and survival of the Group, the interests of its customers and clients, or the broader market.

As part of its business operations, the Group takes on risks on behalf of shareholders, its customers and its clients. The Group generates value by selectively taking risks within approved appetite levels and which are aligned to delivering our strategy, where such risks are adequately rewarded, and can be appropriately quantified and managed to safeguard the Group’s commitments to shareholders, customers and clients and its ability to comply with regulations and protect its reputation. The Group will additionally accept risks that are often a by-product of achievement of our business strategy for which we are not directly rewarded, but it may not be feasible or economic to reduce the risk to zero e.g. by mitigation or transfer. These risks are also managed within approved appetite levels. At certain times, there may also exist some risks for which we have no appetite which are actively avoided or reduced to zero if exposure undermines our commitments to shareholders, customers and clients, or our ability to comply with regulations or protect our reputation.

The Group has a comprehensive approach to identifying, assessing, managing and reporting risks (‘the risk management cycle’), supported by an embedded risk culture and strong risk governance. This is set out in the RMF which, supported by a suite of risk policies and standards, provides a disciplined and structured process for the taking and management of risk. The RMF is designed to manage risk within agreed appetite levels which are aligned to delivering the Group strategy for shareholders and customers. The key components of the RMF are described below.



#### B.3.1.1 Risk governance

The Group’s risk governance comprises the organisational structures, reporting relationships, delegations of authority and roles and responsibilities that the Group uses to make decisions and control activities on risk-related matters. It establishes oversight and challenge of the Group’s risk profile underpinned by risk principles, risk policies, risk appetite and limits and the regulatory and statutory requirements.

##### Boards and Committees

The boards are responsible for overseeing effective Group risk management and internal control processes, taking into account the current and prospective macroeconomic and financial environment, and emerging risks. Ownership of risk and the responsibility for instilling an appropriate risk culture lies with the boards. The boards also set and approve the RMF including the risk policies, risk appetite and thresholds and the assignment of responsibilities for controls and reporting.

The Risk Committees support the boards in these activities providing leadership, direction and oversight, and the Audit Committees assists the boards in meeting their responsibilities for the integrity of financial reporting, including obligations for the effectiveness of internal control and risk management systems. The Remuneration Committee ensures that compensation structures place appropriate weight on all individuals adopting the required risk culture and behaviours. The responsibilities of the Risk, Audit and Remuneration Committees are set out in Figure 29 and Figure 31 in Section B.1.2. The CRCO, and PAC CRO for PAC and its subsidiaries, are operationally responsible for the effectiveness of both top-down and bottom-up processes associated with risk appetite, risk limits, risk policies, and oversight of risk management as well as overseeing compliance with the relevant regulatory requirements.

## B System of governance (Unaudited) (continued)

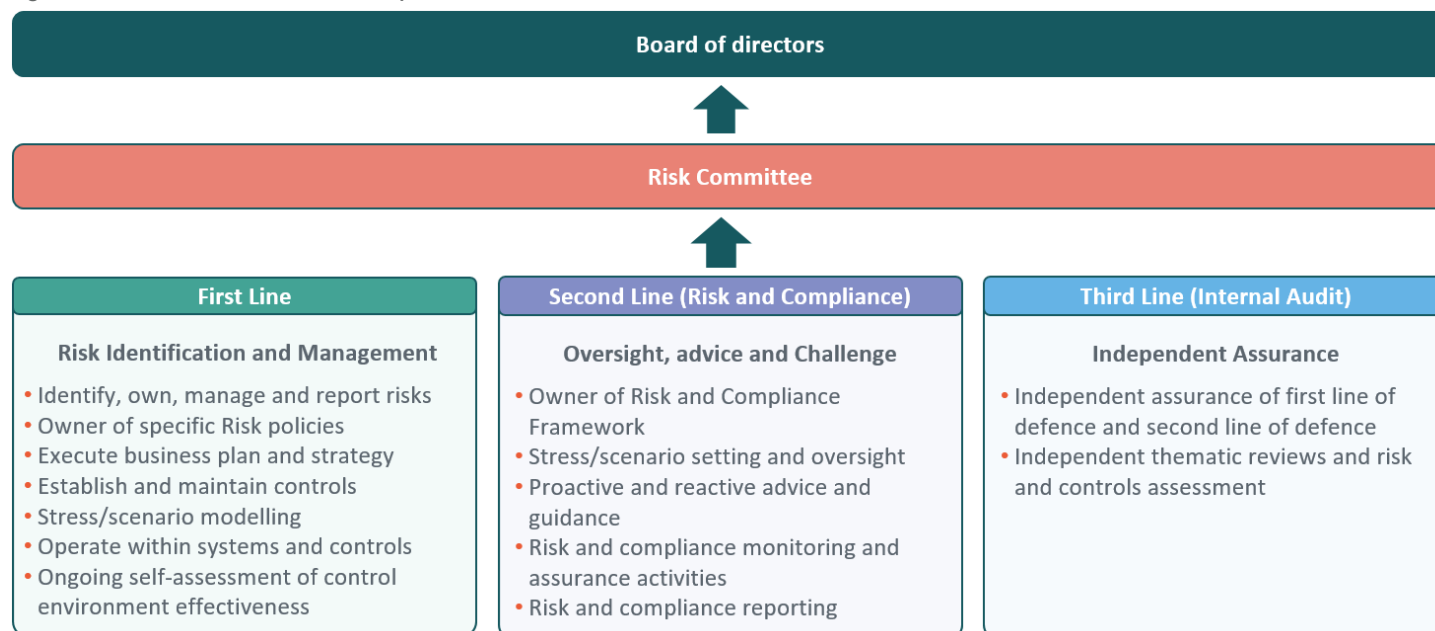
### B.3 Risk management system including the Own Risk and Solvency Assessment (continued)

There are various executive risk forums to ensure risk issues are considered and escalated appropriately. In particular, the M&G plc, PAC and MGG Executive Risk Committees (ERC) are responsible for reviewing and considering specific risk and compliance matters and collectively offering their approval or providing support or advice to the CRCO, PAC CRO or Chief Compliance Officer (CCO) and MGG CRO and CCO respectively. Matters are escalated to the Risk Committees by the ERCs' Chairs, the CRCO and PAC CRO, where appropriate to do so.

#### Three Lines of Defence

The Group's risk governance is based on a Three Lines of Defence model with responsibilities as defined in Figure 36. First line business areas identify and manage risks and are overseen by the second line Risk and Compliance Function (which includes the Actuarial Function). The second line Risk and Compliance Function is structurally independent of the first line, providing risk oversight, advice and challenge, as well as compliance monitoring and assurance. Third line Internal Audit is empowered by the Audit Committees to audit the design and effectiveness of internal controls, including the risk management system.

Figure 36: Three Lines of Defence responsibilities



#### B.3.1.2 Risk taxonomy

The risk taxonomy provides a single common language to describe risks with a clear hierarchy across the risk universe. It provides Group-wide definitions and risk categories prescribed at two levels across the risk universe with an additional third/ fourth level to the risk categorisation, where extra granularity is required.

#### B.3.1.3. Risk appetite and limits

Risk appetite is the amount and type of risk the organisation is willing to accept in pursuit of its business objectives. The Group's risk appetite and tolerance to take on risk is specified through Risk Appetite Statements (RAS), limits and Key Risk Indicators (KRIs) that are aligned to, and reviewed with respect to, the business model.

The Group has established aggregate RAS and limits for solvency, liquidity, dividend volatility and non-financial risk. The solvency 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.

Individual RAS for Level 1 and Level 2 risks and individual risk thresholds (including limits, triggers and indicators). The individual financial risk thresholds are designed to be consistent with the qualitative risk appetite statements and to ensure that, in aggregate, the Group would remain within its Solvency risk appetite, even if all the risk thresholds are fully utilised.

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

#### B.3.1.4. Risk and Compliance policy framework

Policies are high-level statements which provide guidance on how the business operates with the aims of ensuring consistency and efficiency in, and accountability of, business processes and controls, and assisting the business in meeting its legal and regulatory obligations. The Policy Governance Framework (PGF) is a core component of the GGF, and supports the overall system of risk management and internal control.

A key element of the PGF is the suite of risk and compliance policies that covers the key risk areas faced by the organisation and supports the RMF to facilitate effective risk management. In addition, the RMF is supported by a set of risk standards that support the effective implementation of the RMF and associated policies which define minimum control requirements for key business practices or provide further guidance on a given policy.

## B System of governance (Unaudited) (continued)

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

#### B.3.1.5 Risk Culture

The Group's boards recognise 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 Group board. The PAC and PPL boards are responsible for ensuring that policy, practices and behaviours are aligned to the Group culture. The boards, together with senior management, promote a responsible culture of risk management in four key areas as described in Figure 38 below.

Figure 38: Key areas for promoting risk culture



#### B.3.2 The Risk function

Within the Three Lines of Defence model, the Risk Function (as part of the Group's Risk and Compliance Function) is part of the second line and is responsible for risk oversight, advice and challenge. The Risk Function assists the boards to formulate and implement the approved risk appetite statements, risk management plans, risk policies, risk reporting and risk identification processes. Whilst the first line has responsibility for risk identification and management, any risks taken are constrained within clear parameters reviewed by Risk. The Risk Function also monitors and assesses the risk taking activities of the first 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 relevant boards and committees.
- Independently monitoring and reporting that risk exposures are managed within appetite and limits and in line with specified parameters and policies, with regular risk management information, including on Top Risks, to relevant boards and committees.
- Providing overall coordination and oversight of risk management processes and systems.
- Supporting the boards and management in embedding and maintaining a supportive culture in relation to risk management.
- Testing the Group's internal controls and procedures for financial reporting.
- Overseeing and validating that the development of the Internal Model is within the framework of model governance and remains fit for purpose.
- Providing input and review of public and regulatory disclosures.
- Performing the Own Risk and Solvency Assessment (ORSA) and the Internal Capital Adequacy and Risk Assessment (ICARA), risk assessing the business plan, undertaking stress and scenario testing including reverse stress testing, and informing the key areas of risk based decision making.

In order to fulfil these responsibilities, the Risk Function liaises with other functions to provide technical expertise and advice throughout the risk management cycle. The Risk Function is 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 as well as the Group's own risk view of capital where the regulatory capital requirements are assessed as not sufficiently capturing the underlying risk.

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

- **Model use:** to provide assurance that the model is widely used in the business, playing an important role in the system of governance and decision-making processes.
- **Model change:** where changes to the Internal Model are required (e.g. due to a new risk, in response to regulatory feedback or a change in industry practice), these are implemented in a consistent and controlled manner with consideration of any potential implications.



## B System of governance (Unaudited) (continued)

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

- **Model documentation:** the Internal Model documentation outlines the data, methodology, assumptions and judgements within the model, including highlighting the circumstances where the Model does not work effectively. This allows those relying on the model output to determine whether the key features of the model are reasonable.
- **Model validation:** to confirm that the capital requirements resulting from the Internal Model remain appropriate and provide assurance as to the reliability of the Internal Model to Senior Management and the boards. The Model Risk and Validation team within the Risk and Compliance Function provides independent assurance that the Internal Model remains fit for purpose and compliant, in all material respects, with all applicable rules through a risk-based programme of assurance activity, which also acts as an incentive for the model's ongoing improvement.

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

The Internal Model Governance Oversight Committee (IMGOC) and the Finance Capital and Liquidity Committee (FCLC) have responsibility for ensuring that the Internal Model is, and continues to be, suitable to support the assessment of risk and capital and that it complies with all regulatory requirements.

The IMGOC is responsible for the overall governance and oversight of the Internal Model. The FCLC is responsible for setting the methodology for valuing the Group's capital requirements and for informing decisions on assumptions. The IMGOC and FCLC are chaired by the PAC CRO and the Chief Financial Officer respectively and report to the boards and risk committees as necessary on matters relating to the Internal Model.

There have been no material changes to the internal model governance over 2022.

#### 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 three ORSA reports covering the M&G plc, PAC and PPL.

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

The ORSA reports include 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 boards and executive committees. It also provides a quantitative and qualitative assessment of the Group's risk profile and solvency needs on a forward looking basis incorporating the Group's strategy and business plan, including appropriate stress and scenario testing (including reverse stress testing). The scope of the ORSA reports covers all the known risks of the Group.

The ORSA is fully embedded within the RMF and is a key input into board strategic decision making driving the top-down understanding of risks to the Group and ensuring the use of the Internal Model in decision making. The Risk and Compliance Function is responsible for the preparation of the ORSA report with input from key stakeholders as set out in Figure 39 below.

Figure 39: High level overview of ORSA responsibilities

Stakeholder	Roles/ Responsibilities
<b>The Boards</b>	Ownership and oversight of ORSA processes; steer the processes and embed the outcomes of the processes into the overall decision making framework; approve the respective ORSA reports.
<b>Risk Committees</b>	Approve the proposed ORSA stress and scenario testing, and review and recommend the ORSA report to the respective boards for approval.
<b>ERC</b>	Review the proposed ORSA stress and scenario testing and the ORSA report prior to submission to the risk committees.
<b>IMGOC</b>	Reviewing and approving the ORSA plan and approach.
<b>CRCO and PAC CRO</b>	Ownership of the respective ORSA reports.
<b>Chief Actuary</b>	Contributing to the effective implementation of the risk management system, in particular with respect to risk modelling.
<b>Risk</b>	Preparation of the ORSA report in collaboration with functional areas.
<b>Finance</b>	Preparation of quantitative inputs to the ORSA report.

## B System of governance (Unaudited) (continued)

### B.4 Internal control system

#### B.4.1 Overview

The Group is required to maintain and demonstrate an effective risk management and internal control system to comply with listing requirements, the UK Corporate Governance Code (and associated guidelines) and the Solvency II Directive. The Group implements a robust system of internal control that facilitates the effectiveness and efficiency of operations, the accuracy and reliability of internal and external reporting, helps protect our customers and assists compliance with rules and regulations. Further, the system of internal control has a key role in the management of risks that are significant to achieving the Group's business objectives.

The GGF helps the boards to fulfil its internal control obligations by demonstrating the existence of, and compliance with, internal policies and other control mechanisms such as the approvals framework. As part of this the Group adheres to the following principles of internal control:

- **Management/Delegated Authority:** the Group is managed in accordance with the authority delegated by the boards.
- **Lines of Responsibility:** each Executive Committee member has clearly defined lines of responsibility for their function and delegated authority.
- **Appropriate Recording:** transactions are appropriately recorded to permit the preparation of reliable financial statements.
- **Financial Reporting Control Procedures and Systems:** the internal control over the financial reporting environment includes procedures and systems which are regularly reviewed.
- **Protection of Assets:** the assets of the Group and its customers are appropriately protected.
- **Financial Crime (Fraud and Money Laundering):** financial crime is detected and prevented where possible.
- **Risk Management:** the risks to which the Group is exposed are identified and managed.

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

#### B.4.2 Compliance function

The Compliance Function (as part of the Group's Risk and Compliance Function) is structurally independent of the first line. It provides guidance, advice and feedback on regulation (current and future regulatory developments), as well as setting and advising on compliance standards. Risk based routine monitoring and deep dive activities are also carried out to assess compliance with regulatory principles, rules and expectations, as well as adherence to the relevant Group policies. The Compliance Function reports to the CRCO, with the annual (refreshed half-yearly) Compliance Plans (incorporating the Monitoring Plan) produced for Retail & Savings and MGG and agreed by each Business Unit Audit Committee.

The Regulatory Compliance Risk Policy, Conduct Risk Policy, Market Abuse Policy and the Conflicts of Interest Policy set out the principles and minimum requirements by which the Group conducts its business. Compliance policies are reviewed and attested to annually.

The policies support the implementation of the risk management principles through requirements which include:

- Having an effective risk culture, promoting appropriate conduct and deploying adequate and appropriate training, skills and resources in respect of regulatory compliance risk management.
- Maintaining and operating effective organisational and administrative arrangements. Operating an effective risk management cycle to identify, measure, manage, monitor and report on regulatory compliance risks on an on-going basis.
- Considering risk for individual conduct risks as well as the conduct risk profile in aggregate.
- Embedding conduct risk management within the culture and thinking of all employees.
- Maintaining a business that is compliant with applicable laws and regulatory rules and principles, such as Treating Customers Fairly and FCA principles for business.
- Ensuring compliance with regulations that result from regulatory and business changes.
- Maintaining honest, constructive and open relationships with governments and regulators.
- Identifying, reporting and managing conflicts of interest to protect the interests of customers, clients, investors, employees and the Group.

## B System of governance (Unaudited) (continued)

### B.5 Internal Audit function

#### B.5.1 Overview

Internal Audit operates as the third line of defence in the Three Lines of Defence model. Internal Audit provides independent and objective assurance and limited consulting services to the boards 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. This helps the boards and Senior Management protect the assets, reputation and future sustainability of the Group.

Internal Audit is not restricted in scope in any way and is empowered by the Audit Committees to audit all parts of the Group. Where necessary, Internal Audit has access to all the organisation's records to discharge its responsibilities, including sensitive material such as staff and client information, board and committee papers and physical properties. In executing its responsibilities Internal Audit adheres to:

- The Institute of Internal Auditors requirements and Standards as set out in the Institute of Internal Audit's 'Code of Ethics' and International Professional Practices Framework.
- The Institute of Internal Auditor's Internal Audit Financial Services Code of Practice (Third Edition, 2021) as well as the European Confederation of Institutes of Internal Audit guidance for Internal Audit Functions in Insurance Companies under the Solvency II Framework (2019).
- The International Association of Insurance Supervisors Core Principles.
- The requirements for Internal Audit Functions set out in the Solvency II Directive 2009/138/EC (Level 1 text) Article 47 and Delegated Regulation (EU) 2015/35 (Level 2 text) Article 271.
- The requirements of the Senior Manager Certification Regime (SMCR) and the Fit and Proper Policy.

#### B.5.2 Independence and Objectivity

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

- In accordance with the Internal Audit Charter, the Group has an Internal Audit team, led by the Group Head of Audit (GHA) as functional head, with a direct reporting line to the Audit Committee and an administrative reporting line to the CEO. The GHA also has direct access to the Chair of the M&G plc Board and Chair of the Audit Committee and will periodically meet with the Audit Committee without the presence of management.
- It is the responsibility of the GHA to deliver the mandate of Internal Audit, as set by the Audit Committee, supported by the Audit Directors for PAC and MGG. The GHA 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 Audit Directors report to their respective Audit Committee Chair and the GHA, as functional head, with the GHA considering the independence, objectivity and tenure of the Audit Directors when performing their appraisals.
- The remuneration of the GHA is recommended annually to the Remuneration Committee by the Chair of the Audit Committee. The remuneration of the Internal Audit function is structured in a manner such that it avoids conflicts of interest, does not impair independence and objectivity and is not directly or exclusively linked to the short-term performance of the organisation.
- The GHA and Audit Directors are empowered to attend and observe all or part of executive committee meetings and any other key management decision making forums as appropriate.
- The Chief Operations Officer (COO) for Internal Audit, who is independent of the audit delivery team, monitors and evaluates the function's adherence with all relevant Internal Audit standards of practice and audit methodology. The results of these assessments are presented directly to the relevant audit committees. An independent external assessment of the Internal Audit function is performed every 5 years in line with Internal Audit standards.
- The assessment of the adequacy and effectiveness of the Risk and Compliance and Finance Functions is within the scope of Internal Audit. As such, Internal Audit is independent of these Functions and is neither responsible for, nor part of, them.
- All Internal Audit personnel exhibit the highest level of professional objectivity in carrying out their duties, make a balanced assessment of all relevant circumstances, remain impartial and seek to avoid any professional or personal conflict of interest. Internal Audit has no direct operational responsibility or authority over any business activity or personnel outside of the Function.

### B.6 Actuarial Function

There is a Group Head of Actuarial Function (GHAF), who is also the Chief Actuary for PAC and PPL. The Chief Actuary is a PRA SMF role under the SMCR. The Chief Actuary team within the Risk and Compliance 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 Conditions Governing Business 6 of the PRA Rulebook. This sets out the tasks that the Actuarial Function is responsible for. The GHAF provides an Actuarial Function Report to the risk committees, at least annually, to document the tasks that have been undertaken by the Actuarial Function and their results. The report highlights any deficiencies identified and provides recommendations on how they should be remedied. The report sets out the key areas of focus following the Actuarial Function's activities each year. Figure 40 below summarises the key tasks undertaken by the Actuarial Function as described within the Actuarial Function Report.

## B System of governance (Unaudited) (continued)

### B.6 Actuarial Function (continued)

Figure 40: Key tasks undertaken by the Actuarial Function

Task	Description
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 and risk committees accordingly.
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 the GHAF wishes to review further. The GHAF provides an annual report to the risk committees expressing an opinion on the underwriting policy, identifying any deficiencies and providing recommendations.
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 arrangements, including 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 committees expressing an opinion on the adequacy of the reinsurance arrangements, identifying any deficiencies and providing recommendations.
Effective implementation of the risk-management system	<p>The CRCO, as the head of the Risk and Compliance function, has delegated a number of the risk management responsibilities to the GHAF. In particular, oversight of the calibration and calculation of the SCR. This ensures that the Actuarial Function is embedded in the key stages of the risk management system for the calculation of capital requirements.</p> <p>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 Risk Committees accordingly. The GHAF also attends the FCLC, the committee with responsibility for internal capital model methodology and assumptions, and attends IMGOC, which is responsible for the overall governance and oversight of the Internal Model.</p>

### B.7 Outsourcing

The Group continues to rely upon third party supplier and outsource partner arrangements, allowing it to focus on its core business strengths, reduce costs, and manage its delivery risks. The Group recognises that the use of third party supplier and outsource partner arrangements can impact its risk profile, for example, the service may be disrupted or fail, resulting in significant business interruptions, poor customer outcomes, liability for losses and costs, reputational damage and regulatory breaches.

The Group retains ultimate responsibility for any activity that is supplied or outsourced and as such, has a robust third party risk management policy and framework, with a detailed handbook to support all business areas in understanding how to manage the lifecycle of outsourced arrangement relationships – including requirements covering selection, onboarding and ongoing risk management / monitoring of providers to minimise the risks noted above. The Group's Outsourced Service Providers (OSPs), located predominantly in the UK and India, provide various business operations and technology services/support to the Retail & Savings, PIA and Asset Management divisions, including a significant part of customer facing operations, UK back office/investment operations activities, as well as a number of IT support functions for the Group.

Material intra-group outsourcing arrangements for the year ended 31 December 2022 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, internal audit and IT services) are also provided across the Group on a shared service basis. Prudential Distribution Limited acts as the main employment company for staff in the UK, and M&G Corporate Services Limited is the principal company through which group-wide contracts for the supply of goods and services are placed.

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

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

## **B System of governance (Unaudited) (continued)**

### **B.8 Any other information**

#### **B.8.1 Adequacy of the system of governance**

The 2021 review of the RMF and Risk Function identified no fundamental issues and showed a number of strengths and recent positive enhancements in the Group's approach to risk management as well as opportunities for enhancement. Following this, a plan of work was developed with the majority of actions now completed to implement a further step change in risk understanding, awareness and accountability.

Further to this, a review of the Compliance Function and activities was completed in 2022 with external support. A Compliance transformation programme has been established to address findings from the review with work structured around three key outcomes linked to (i) compliance culture across the organisation; (ii) the scope, purpose of positioning of Compliance across the three lines of defence; and (iii) functional capability.

In addition, the Risk and Audit Committees have considered the outcome of the annual risk management and internal control effectiveness review for 2022. The assessment is performed for each Business Area by the first line with an independent second line opinion. It is driven by Risk and Control Self Assessments (RCSAs) conducted over the year, along with consideration of issues; notifiable events; compliance with policy requirements; risk appetite assessment; and regulatory feedback. The Business Area assessments are aggregated to provide a material subsidiary and an overall M&G group-wide assessment. Internal Audit also provide an independent assessment of the overall control environment. The assessment identified that positive progress has been made across the Group during 2022 in building on the risk and control framework foundations previously put in place, but also acknowledges that implementation work continues into 2023 to reach target maturity. Management attention is therefore still required to fully embed the framework, including consistent performance of Key Control Assessments across the business. The Risk and Audit Committees at M&G plc and subsidiary level collectively monitor the timeliness with which outstanding actions and embedding plans are completed.

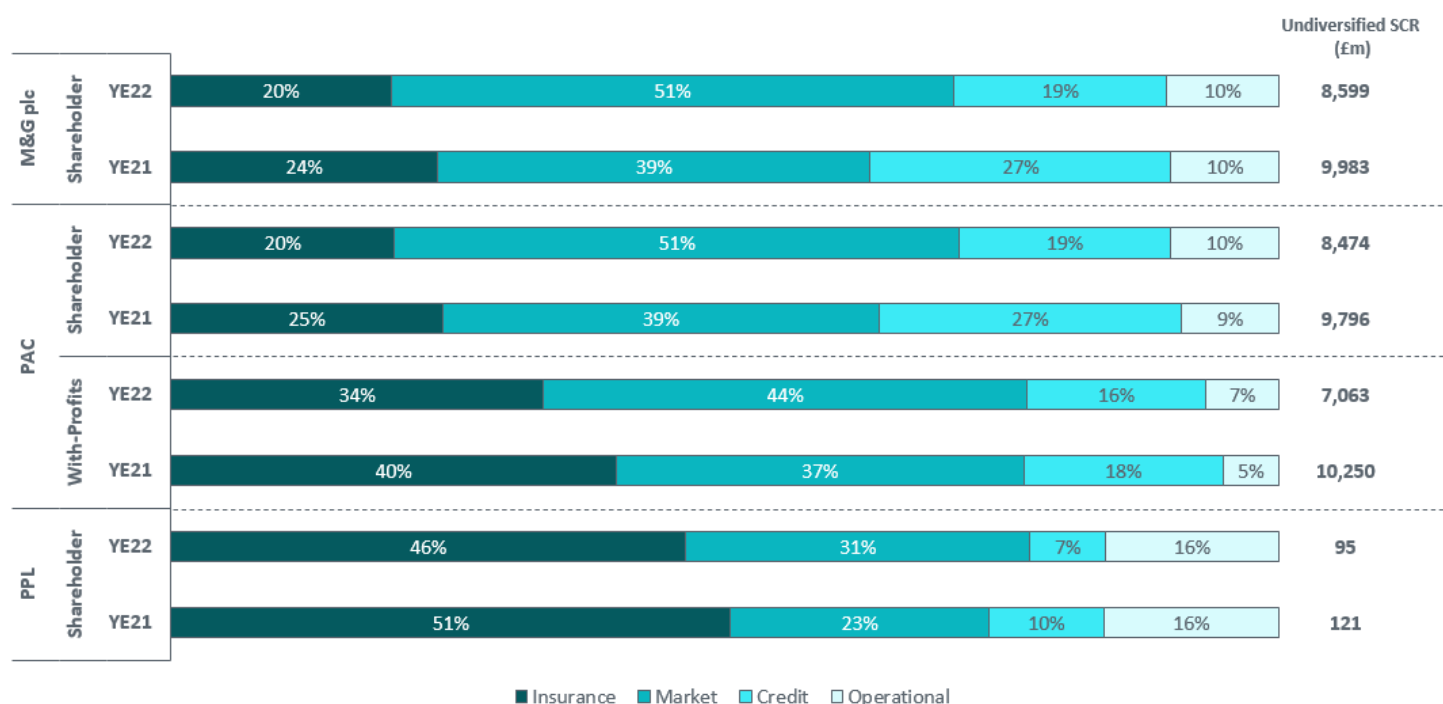
## C Risk profile (Unaudited)

Under the Solvency II regime, companies are required to calculate capital requirements in line with Solvency II regulations. The Solvency II Pillar 1 valuation is produced as a whole (the regulatory view), however, for internal business and risk management purposes, separate valuations are produced for the shareholder-backed exposures and the business in the ring-fenced With-Profits Fund.

The Solvency II capital requirements are calculated using the Internal Model, which is based on the Group's assessment of the risks it faces. PAC is the dominant driver of the Group's shareholder Solvency II capital requirements, making up over 81% of the shareholder SCR. MGG and other undertakings which operate in other financial sectors, are calculated on a sectoral or notional sectoral basis. See Section E for further details.

Figure 41 below shows the undiversified SCR split by risk category as at 31 December 2022 and 31 December 2021 for the M&G plc shareholder (excluding those parts of the Group that are included on a sectoral basis) and its Solvency II regulated entities PAC and PPL. Detailed information on the SCR allocation is set out in Section E.2.2.

Figure 41: Undiversified SCR split as at 31 December 2022 and 31 December 2021



### M&G plc and PAC Shareholder

The total undiversified SCR for the PAC Shareholder business (and as a consequence M&G plc Shareholder business) has decreased over the year, primarily due to reductions in credit and underwriting risk capital, as a result of the increase in risk-free interest rates over the year and the sale of credit-risky assets within the non-profit annuity fund which reduces the sensitivity to credit spread risk. This is partially offset by an increase in market risk capital due to an increase in interest rate capital, reflecting the increase in interest rate volatility experienced in the market, and an increase in currency risk capital following the strengthening of overseas currencies.

### PAC With-Profits Fund

For the PAC With-Profits Fund the total undiversified SCR has decreased over the year. This has been driven by a number of factors, in particular the significant increases in risk-free interest rates over 2022 which has contributed to a reduction in non-market risk capital, particularly longevity risk, and credit risk capital. There has been a distribution of the excess surplus from the With-Profits Fund estate, which increased policyholder benefits and hence the best-estimate liabilities but reduced the capital requirements because the amount of surplus assets is now lower. The run-off of the traditional with-profits business and the non-profit annuity business in the With-Profits Fund have also contributed to the reduction in both market and non-market undiversified risk capital.

### PPL

The total undiversified SCR for PPL has reduced over the year primarily due to reductions in underwriting and credit risk capital following the increase in the risk-free interest rates experienced over 2022. Operational risk capital has also reduced following the re-allocation of operational risk between entities within the Group. These impacts are partially offset by an increase in interest rate risk capital, reflecting the increase in interest rate volatility experienced in the market.

### M&G Group

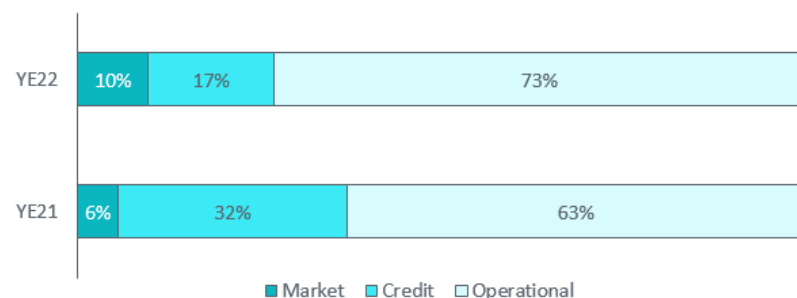
As undertakings which operate in other financial sectors are consolidated into the Solvency II position based on their own sectoral (or notional sectoral) capital requirements, and make up only 11% of the consolidated Group's shareholder SCR, their risks are not captured in Figure 41. Of these, MGG is the largest and its exposure to individual financial risks is presented in Figure 42 below using its own assessment of its Pillar 2 capital requirements.

A new prudential regime (Investment Firms Prudential Regime (IFPR)) became effective in the UK for investment firms from January 2022. This resulted in a change in the components of the Pillar I and Pillar II capital requirements calculation.

## C Risk profile (Unaudited) (continued)

The total sectoral capital for MGG has increased due to an increase in operational risk and market risk capital. The increase in operational risk reflects the move to the new prudential regime in addition to a higher allocation of operational risk being allocated to M&G Group following an exercise to re-allocate operational risk between M&G plc and material entities within the Group. The increase in market risk is driven by a change in exposures over the period, in particular an increase in exposure to overseas currencies. The increase in sectoral capital was partially offset by a reduction in credit risk capital reflecting the new prudential regime.

Figure 42: MGG Pillar 2 capital requirements as at 31 December 2022 and 31 December 2021



### C.1 Underwriting risk

#### C.1.1 Risk description

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

#### C.1.2 Risk exposure

Figure 43 below provides an overview of the key underwriting risks to which the Group is exposed and the entities that these risks apply to.

Figure 43: Underwriting risk exposures across the Group

Risk Exposure	Entities Impacted
<b>Longevity</b>	
Longevity risk arises primarily in relation to non-profit and with-profits annuity business. Unexpected changes in the life expectancy (longevity) of policyholders, in particular where mortality experience is lower than assumed, results in an increase in the cost of providing benefits under these policies. By its nature, longevity risk is complex, long-tailed and very uncertain.	PAC Shareholder and PAC With-Profits Fund
Some longevity exposure also arises in relation to defined benefits provided under the staff pension schemes.	M&G plc, PAC Shareholder, PAC With-Profits and MGG
<b>Persistency</b>	
Increased outflows of assets under administration or increases in policyholder exits on business without material guarantees reduces expected income from management charges.	PAC Shareholder, PAC With-Profits Fund, PPL and MGG
PAC is exposed to increases in policyholder exits from the With-Profits Fund as, although this gives rise to a short-term increase in shareholder transfers, it reduces the overall value of shareholder transfers over the longer term.	PAC Shareholder
For products with guarantees, the With-Profits Fund is exposed to reductions in policyholder exits which increase the expected costs of meeting these guarantees.	PAC With-Profits Fund
<b>Expense</b>	
For all business areas, there is a risk that expense experience (including expense inflation) is higher than expected reducing margins and profit.	PAC Shareholder, PAC With-Profits Fund, PPL and MGG
For the With-Profits Fund there is a specific risk that fixed expense charges are not sufficient to cover the actual expenses for the non-guaranteed PruFund business.	PAC With-Profits
<b>Mortality and Morbidity</b>	
Mortality and morbidity risk arises from legacy health and protection products with only a small exposure remaining.	PAC Shareholder and PAC With-Profits Fund

#### C.1.3 Risk measurement

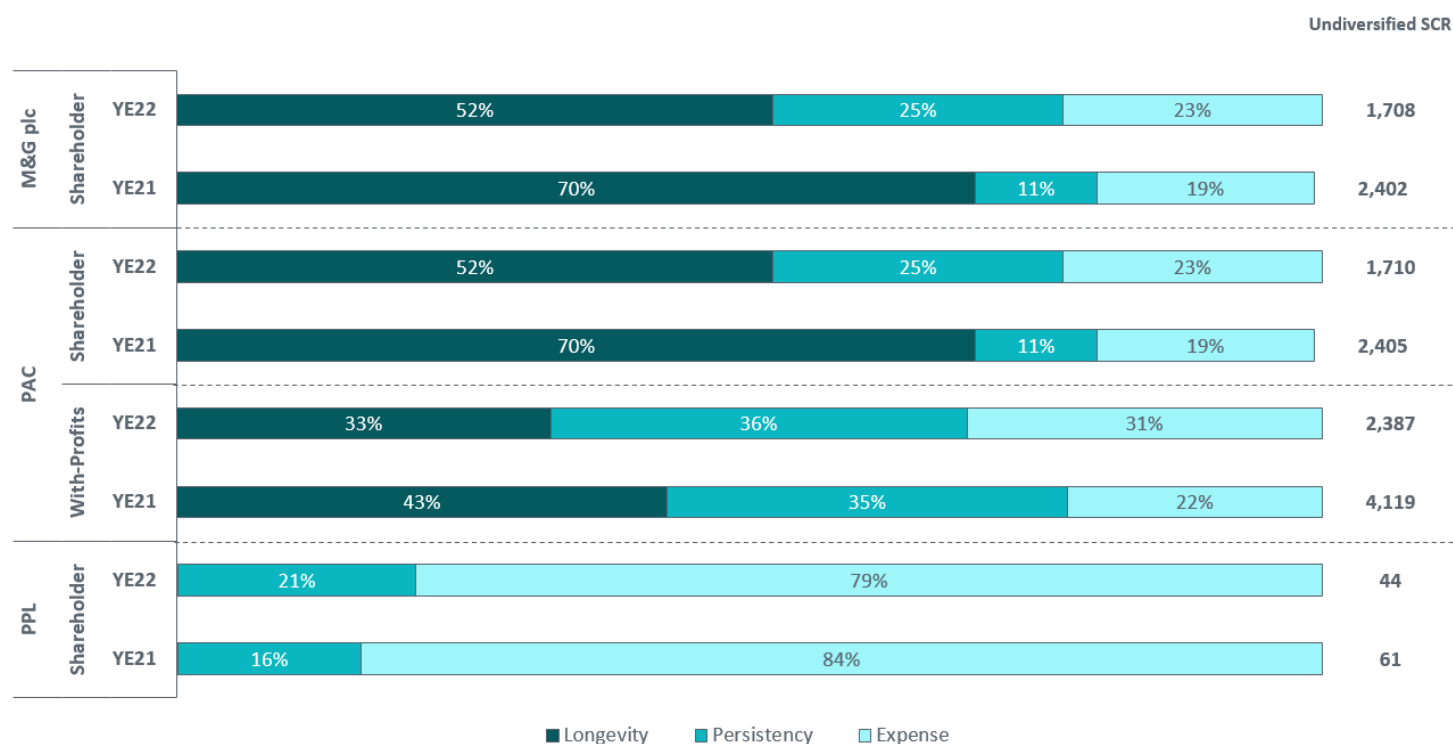
The undiversified SCR is used as a key assessment of the size of the underwriting risk the business is exposed to under severe ("1 in 200 year") stresses, with regular stress and scenario tests also applied to the key financial exposures to understand the sensitivity of the overall Solvency II capital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

## C Risk profile (Unaudited) (continued)

### C.1 Underwriting risk (continued)

Figure 44 below sets out the Group’s exposures (as a percentage of the underwriting risk undiversified SCR) to each of these risks. Mortality and morbidity risk accounts for an immaterial proportion of the SCR and so has been grouped under the longevity risk category.

Figure 44: Undiversified underwriting risk SCR split as at 31 December 2022 and 31 December 2021



#### M&G plc and PAC Shareholder

The changes in the M&G plc and PAC shareholder profile is primarily due to the reduction in longevity risk capital due to the increase in the risk-free interest rates over the year because it reduces the present value of the additional future payments that must be made when policyholders are assumed to live longer under the stress. Persistency risk capital has increased predominantly due to the increase in the Present Value of Shareholder Transfers (PVST) following the increase in interest rates over the period. The higher interest rates generate higher expected bonuses, which leads to a higher PVST and hence higher persistency capital.

#### PAC With-Profits Fund

The changes in the PAC With-Profits underwriting risk profile are predominantly due to the increase in risk-free interest rates over 2022. The increase in interest rates has reduced the impact of longevity risk. Persistency risk capital has also reduced due to the increase in interest rates, which reduces the net cost of options, guarantees and smoothing on traditional with-profits business.

#### PPL

Expense risks for PPL is sensitive to market conditions, in particular the level of interest rates, therefore given the increase in interest rates over 2022 expense risk capital has reduced.

#### C.1.4 Risk concentration

The largest underwriting risk concentration relates to the longevity risk associated with PAC’s non-profit annuity book. Although this is comprised of a diverse range of UK policyholders and pension scheme members, there will be some degree of longevity correlation between these underlying exposures. In addition, the degree of diversification between exposures is reduced as the liabilities are weighted towards larger policies (which may have typically lighter mortality experience). The overall exposure is controlled via a number of reinsurance agreements that are in place and regular reviews of experience and valuation assumptions.

#### C.1.5 Risk mitigation

Underwriting risk is managed in line with the requirements set out in the Insurance Risk Policy, which also defines the Group’s risk appetite in relation to these risks. Longevity risk is predominantly managed through:

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



## C Risk profile (Unaudited) (continued)

### C.1 Underwriting risk (continued)

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

### C.2 Market risk

#### C.2.1 Risk description

Market risk refers to the risk of loss or adverse change in the financial situation of our business, or the With-Profits Fund estate, resulting, directly or indirectly, from fluctuations in the level or volatility of market prices of assets, currencies, liabilities and financial instruments. The key types of market risk for the Group are equity risk, property risk, interest rate risk and currency risk.

#### C.2.2 Risk exposure

Figure 45 below provides an overview of the key market risks to which the Group is exposed and the entities that these risks apply to.

Figure 45: Market risk exposures across the Group

Risk Exposure	Entities Impacted
All market risks (equity, property, interest rate and currency risk)	
PAC is primarily exposed to market risk in relation to shareholder transfers, where falls in the value of equities and property assets, lower interest rates or fluctuations in currencies can negatively impact on investment returns generated for PAC with-profits policyholders, reducing the value of these shareholder transfers.	PAC Shareholder
PAC is exposed to property risk in respect of property assets held in the non-profit annuity funds.	PAC Shareholder and PAC With-Profits Fund
PAC is also exposed to interest rate risk in respect of any mismatching between the assets and liabilities of the non-profit annuity funds and in respect of surplus assets held in these funds.	PAC Shareholder and PAC With-Profits Fund
Adverse changes in the value of the assets backing the policyholder asset shares as a result of market movements, including falls in the value of equity and property assets or fluctuations in currencies, may lead to an increase in the expected cost of policyholder guarantees and smoothing. Furthermore, reductions in risk free interest rates could also give rise to an increase in the guarantee and smoothing costs. 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.	PAC With-Profits Fund and (in extremis) PAC Shareholder
For unit linked contracts and third party customer funds, the customer bears the direct market risk on their investments. However, the value of the charges/fees is dependent on the assets under management and therefore is exposed to market risks based on the underlying investments.	PAC Shareholder, PAC With-Profits Fund, PPL and MGG
PAC is exposed to adverse changes in the value of residential properties and interest rates in relation to the 'no negative equity guarantee' on lifetime mortgage loans.	PAC Shareholder
MGG has some direct exposure to market risk through its seed investments, the retail book of units and currency positions as a result of overseas operations.	MGG
M&G plc, PAC and MGG are responsible for ensuring the defined benefit staff pension schemes (which are closed to new members) remain adequately funded to meet their expected future liabilities and are therefore exposed to the risk of additional deficit funding contributions which in turn exposes them to market risks (across each market risk category, depending on the assets held in the pension fund) and changes in the discount rate for liabilities.	M&G plc, PAC Shareholder, PAC With-Profits Fund and MGG

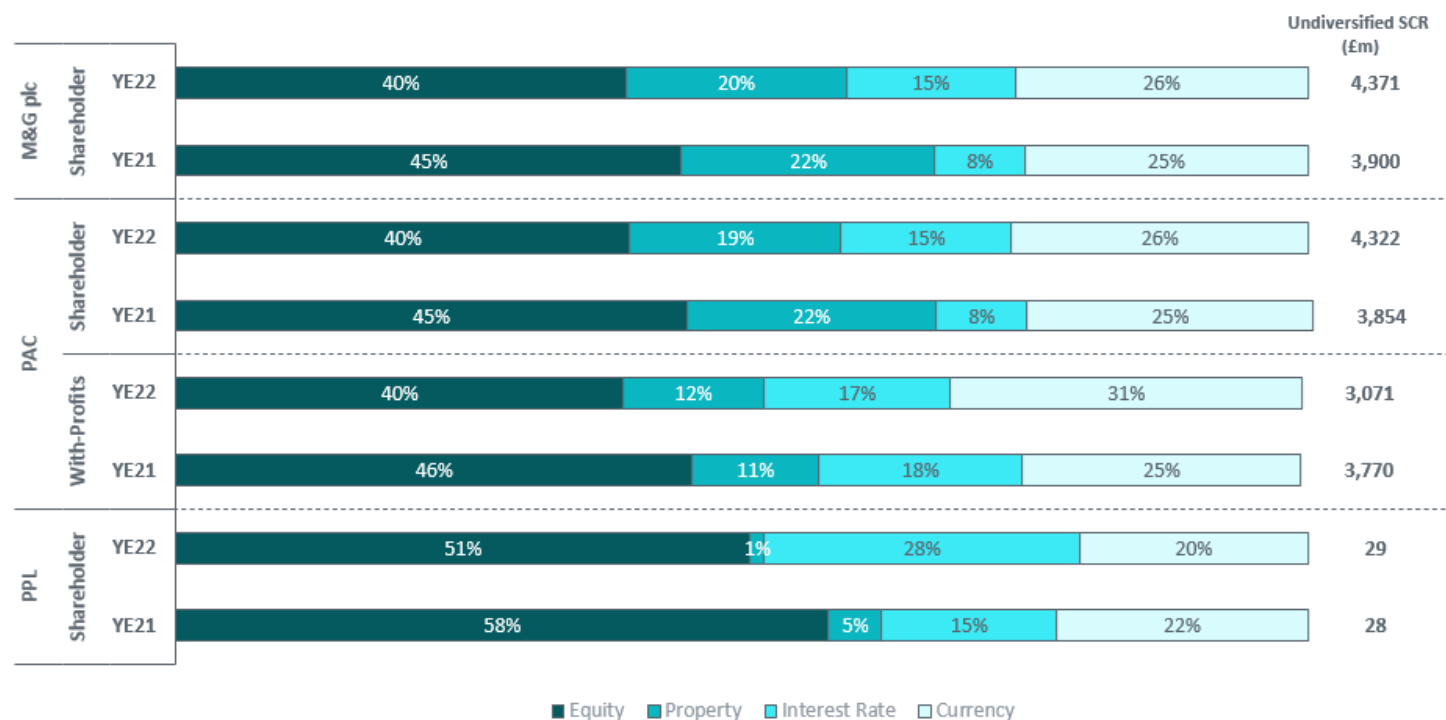
## C Risk profile (Unaudited) (continued)

### C.2 Market risk

#### C.2.3 Risk measurement

Figure 46 below sets out the Group's exposures (as a percentage of the undiversified SCR excluding sectoral entities) to each of these risks.

Figure 46: Undiversified market risk SCR split as at 31 December 2022 and 31 December 2021



#### M&G plc and PAC Shareholder

The undiversified market risk capital for M&G plc and PAC shareholder business has increased primarily due to the increase in interest rate risk capital which reflects the higher interest rate environment as well as the increase in implied volatility experienced in the market over 2022. In addition, currency risk capital increased due to the strengthening of overseas currencies relative to GBP. The undiversified equity risk capital has not materially changed over 2022. Overseas equities have fallen over 2022 but the falls have been partially offset by changes in the foreign exchange rates.

#### PAC With-Profits Fund

For the PAC With-Profits Fund there has been an overall reduction in the undiversified market risk capital, primarily due to falls in equity and interest rate risk capital. This is driven by a number of factors including the material changes in economics over 2022 in particular the reduction in equity market values and the increase in interest rates. There has been a distribution of the excess surplus from the With-Profits Fund estate, which increased policyholder benefits and hence the best-estimate liabilities but reduced the capital requirements because the amount of surplus assets is now lower. The run-off of the traditional with-profits business and the non-profit annuity business in the With-Profits Fund have also contributed to the reduction in undiversified risk capital.

#### PPL

For PPL, there has been a minor increase in market risk capital over the year due to the balance sheet impact of an increase in interest rate risk capital, reflecting the higher interest rate environment and the increase in implied volatility experienced in the market over the period offset by reductions in equity and property risk capital.

#### C.2.4 Risk concentration

Risk concentrations within market risk (both at the asset class level and within asset classes) are controlled through various processes, including reviews of SAA, investment and hedging strategies, as well as investment constraints implemented via the GALF, Investment Management Agreements (IMAs) and fund management guidelines. These processes ensure that the overall market risk exposures are well-diversified.

#### C.2.5 Risk mitigation

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

- A market risk policy, appetite statements, risk limits and triggers covering key market risk exposures (e.g. interest rate sensitivity).
- Asset and liability management programmes, including monitoring of projected liability cash flows to achieve close asset/liability matching.
- A quality of capital framework for PAC, which defines a set of principles for determining the optimal asset features to back components of PAC's shareholder balance sheet.
- A framework covering the triggering of an application to recalculate the Solvency II TMTP, which mitigates changes in risk margin due to interest rates (amongst other factors).
- Monitoring of the impact of market movements on the solvency coverage position against risk appetite.

## C Risk profile (Unaudited) (continued)

### C.2 Market risk (continued)

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 reviews of forecast seed capital pipelines against risk appetite.
- Investment constraints and limits set out in Investment Management Agreements (IMAs) and fund guidelines, which are subject to periodic review.

In addition, procedures are in place to respond to significant market events and disruptions, bringing together colleagues from across the business to provide enhanced monitoring and decision-making capability.

### C.3 Credit risk

#### C.3.1 Risk description

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

#### C.3.2 Risk exposure

Figure 47 below provides an overview of the key credit risks to which the Group is exposed and the entities that these risks apply to.

Figure 47: Credit risk exposures across the Group

Risk Exposure	Entities Impacted
<b>Invested credit</b>	
M&G plc is exposed to credit risk on surplus assets held at the Holding Company level.	M&G plc
PAC Shareholder is exposed to credit risk through the impact that poor credit performance in the With-Profits Fund would have on the value of shareholder transfers.	PAC Shareholder, PAC With-Profits Fund
PAC is exposed to credit risk relating to the substantial volumes of public and private fixed income investments held in the asset portfolios backing the annuity business.	PAC Shareholder and PAC With-Profits Fund
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 and the cost of providing smoothed returns. 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.	PAC With-Profits Fund and (in extremis) PAC Shareholder
For unit linked contracts and third party customer funds, the customer bears the direct credit risk on their investments. However, the value of the charges/fees is dependent on the assets under management and therefore is exposed to credit risk based on the underlying investments.	PAC Shareholder, PAC With-Profits Fund, PPL and MGG
MGG has some direct exposure to credit risk through its seed investments and the retail book of units.	MGG
<b>Counterparty Risk</b>	
M&G plc, PAC and MGG are responsible for ensuring the defined benefit staff pension schemes (which are closed to new members) remain adequately funded to meet their expected future	M&G plc, PAC and MGG
The Group is exposed to counterparty risk, through the use of derivatives for risk reduction and efficient portfolio management, the use of reinsurance for risk reduction and the placing of cash and deposits with counterparties, the application of securities lending and reverse repo transaction for efficient portfolio management, the settlement of trading exposures with brokers, and trade receivables.	M&G plc, PAC Shareholder, PAC With-Profits Fund, MGG and PPL.
MGG has short-term counterparty exposures to fund subscriptions and redemptions between investors and underlying funds, where MGG acts as a principal in such transactions (UK unit trust/OEIC debtors), as a client may default on payment to MGG. These settlement balances can be volatile and significant in value, albeit MGG can cancel the units in case of payment failure or on-sell such units to other investors.	MGG

#### C.3.3 Risk measurement

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

The undiversified credit risk capital for M&G plc and PAC shareholder have materially reduced over the year, as a result of the increase in risk-free interest rates over the year and the sale of credit-risky assets within the non-profit annuity fund which reduces the sensitivity to credit spread risk. The undiversified credit risk capital for the PAC with-profits fund has also reduced due to increases in risk free interest rates over 2022 and the run-off of the traditional with-profits business and the non-profit annuity business in the With-Profits Fund. For PPL the credit risk capital has reduced due to the increase in risk-free interest rates.

## C Risk profile (Unaudited) (continued)

### C.3 Credit risk (continued)

#### C.3.4 Risk concentration

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

The Group has a Counterparty Rating and Limits Framework which limits significant concentration risks arising from counterparty transactions. Such exposures are assigned a notional weighting based on credit rating categories to reflect the relative riskiness of each asset class.

PAC investment teams have responsibility to monitor credit concentration based on predetermined set of limits for each of the PAC's business lines. Such limits are reviewed periodically and exposure against them is reported regularly to the respective governance forums. PAC also has in place an Investment Concentration Oversight Process (ICOP) which is a Risk Function tool to independently oversee invested credit risk concentrations through a defined set of triggers for single names by market value, sector and geographical exposure.

Figure 48 below shows the four largest counterparties for the shareholder-backed business and With-Profits Fund as at 31 December 2021 and 31 December 2022.

Figure 48: Largest counterparty exposures

Risk	2022	2021
PAC Shareholder-backed business	<ol style="list-style-type: none"> <li>1) United Kingdom of Great Britain and Northern Ireland government</li> <li>2) CitiGroup Inc</li> <li>3) HSBC Holdings PLC</li> <li>4) Rothesay Life PLC</li> </ol>	<ol style="list-style-type: none"> <li>1) United Kingdom of Great Britain and Northern Ireland government</li> <li>2) Rothesay Life PLC</li> <li>3) HSBC Holdings PLC</li> <li>4) European Investment Bank</li> </ol>
PAC With-Profits Fund	<ol style="list-style-type: none"> <li>1) CitiGroup Inc</li> <li>2) United Kingdom of Great Britain and Northern Ireland government</li> <li>3) Barclays PLC</li> <li>4) Credit Agricole Group</li> </ol>	<ol style="list-style-type: none"> <li>1) United Kingdom of Great Britain and Northern Ireland government</li> <li>2) Royal Bank of Canada</li> <li>3) Banco Santander SA</li> <li>4) JP Morgan Chase &amp; Co</li> </ol>

MGG aims to diversify its sources of revenue and has low appetite to be over-exposed to any single country, single customer or client (including PAC funds), funds and fund managers.

#### C.3.5 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, limits and triggers on the asset portfolios, in relation to credit rating, seniority, sector and issuer, via IMAs, SAA and the ICOP.
- 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, reinsurance and cash counterparties. These constraints and limits are implemented via the Reinsurance Counterparty Risk Standards, Investment Office concentration limit frameworks, Investment Concentration Oversight Process and Counterparty Rating and Limits Framework.
- Robust internal credit rating processes.
- Ad-hoc deep dive reviews as well as counterparty, sector and asset reviews.
- Regular stress and scenario testing, with particular focus on the impact of higher than expected downgrades and credit spread widening. Consideration is also given to the impact of a potential loss in the Matching Adjustment eligibility.

## C Risk profile (Unaudited) (continued)

### C.4 Liquidity risk

#### C.4.1 Risk description

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 debt interest) as they fall due.

#### C.4.2 Risk exposure

Figure 49 below provides an overview of the key liquidity risks to which the Group is exposed and the entities that these risks apply to.

Figure 49: Liquidity risk exposures across the Group

Risk	Entity Exposure
Treasury liquidity risk	
Unexpected shortfalls in remittances from subsidiaries, which M&G plc relies on to meet its financial obligations and dividends to shareholders. Unexpected one-off liquidity requirements at the M&G plc level.	M&G plc
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.	PAC With-Profits, PAC Shareholder and PPL
Ineffective asset/liability matching or higher than expected credit defaults for non-profit annuity business, leading to a mismatch between cash received from PAC's investments and annuity payments to its customers.	PAC Shareholder
Higher than expected cash outflows from the shareholder business, e.g. due to tax or collateral requirements.	PAC Shareholder
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.	MGG

#### C.4.3 Risk measurement

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

#### C.4.4 Risk concentration

The Group's overall approach to the management of liquidity is such that material concentrations of liquidity risk are avoided. For example, surplus liquidity is generally held at the Holding Company level (within PruCap) which can be deployed if needed to support liquidity requirements anywhere within the Group. In addition, liquidity for business in PAC and MGG is subject to regular monitoring against defined risk limits, mitigating the risk of liquidity risk concentrations arising.

#### C.4.5 Risk mitigation

M&G plc uses cash remittances from its subsidiaries to meet its financial obligations and pay dividends to shareholders. M&G plc also maintains a liquidity buffer to reinvest back into the business as required to support the overall business strategy, and to meet any unexpected shortfalls in subsidiary dividends or other one-off requirements. This liquidity buffer, which is managed by PruCap, is held in liquid assets, predominantly cash, gilts and high quality fixed interest securities which can be used to raise additional funding from both internal and external repo facilities. In addition, although M&G plc has not yet raised commercial paper as an independent listed company this can be used to provide financial flexibility and a source of operational funding. M&G plc also has committed facilities with a number of banks which can be used to provide liquidity in extremis.

The Group operates a robust Liquidity Risk Management Framework, detailed in a Liquidity Risk Management Plan, which includes:

- A Treasury Liquidity risk policy, which set out the key requirements for the management of treasury liquidity risk on an ongoing basis. Compliance with the requirements of the policy are subject to an annual attestation process;
- Regular monitoring of Treasury Liquidity risk against defined appetites, trigger and limits set out in the GALF. In addition, regular monitoring of cashflows and the Financial Management Framework liquidity buffer is also conducted and provided in the FCLC MI pack;
- Detailed monitoring of Treasury Liquidity risk is also conducted at subsidiary level, including regular monitoring of the PAC shareholder fund liquidity position, quarterly monitoring of base and stress LCRs and Eligible Collateral Coverage Ratios over various time horizons for defined segments of PAC business against specific limits and triggers set out in the GALF and the Matching Adjustment Liquidity Risk Policy and daily monitoring of liquidity sufficiency at MGG;
- A Liquidity Contingency Funding Plan (LCFP) which sets out the procedures to be followed if a material liquidity risk event arises or is expected to arise and supports timely and decisive management action. The LCFP also set out the potential sources of liquidity for the Group under stress. PAC and MGG also have similar plans in place;
- The use of deferral clauses in those unit-linked funds which may be inherently more illiquid, in particular property funds, allowing the deferral of cash payments to withdrawing customers in extreme adverse liquidity scenarios. Liquidity risk cannot be completely eliminated for unit-linked funds, in particular over the short term where withdrawal experience can be volatile, e.g. as a result of market uncertainty;

## C Risk profile (Unaudited) (continued)

### C.4 Liquidity risk (continued)

- Controls on use of derivatives under the RMF to ensure that PAC holds assets that are sufficient in value such that it could meet its collateral obligations in the relevant currency when it falls due, following reasonably foreseeable adverse variations (relying solely on cash flows from, or from realising, those assets), mitigating any significant risks for PAC's liquidity; and
- Regular stress and scenario testing as part of business planning, dividend, ORSA and ICARA processes.

#### C.4.6 Expected Profit Included in Future Premiums

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

As at 31 December 2022, Group EPIFP from QRT S.23 was £161m (2021: £168m). The breakdown of the EPIFP by entity is shown in Figure 50 below.

Figure 50: Expected Profit Included in Future Premiums by regulated insurance undertaking

	For the year ended 31 December	
	2022	2021
	£m	£m
PAC	78	82
PIA	125	127
PPL	—	—
Intercompany eliminations <sup>1</sup>	(42)	(41)
<b>Total Group</b>	<b>161</b>	<b>168</b>

<sup>1</sup> As at 31 December 2022, the PIA EPIFP is reported gross of reinsurance, with the impact of internal reinsurance being eliminated upon consolidation to group EPIFP.

### C.5 Operational risk

#### C.5.1 Risk description

Operational Risk is defined as the risk of financial or non-financial impact resulting from inadequate or failed internal processes, people or systems or from external events.

#### C.5.2 Risk exposure

The Group does not actively seek to take operational risk to generate returns, instead it accepts a level of risk that means the controls in place should prevent material impacts but should also not excessively restrict business activities. Operational risk exposures can arise through, but are not limited to, the following areas:

- Business process executional failure.
- Damage or theft of tangible and intangible assets.
- Employment practices and workplace safety.
- Vendor failures and damage.
- Technology failures and damage.
- Change and transformation risk.
- Data risk.

In particular, a material failure or operational disruption in the processes and controls supporting the Group's activities, that of third-party suppliers or of technology could result in poor customer outcomes, reputational damage, increased costs and regulatory censure. The Group has a high dependency on technology and the loss or sustained unavailability of key hardware or software, inadequate information security arrangements and ineffective use of digital solutions could impact the Group's ability to operate effectively. Additionally, serious failings in the delivery or persistent under performance of third-party supplier arrangements could impact the delivery of services to customers.

In addition, the Group has a number of significant change and transformation programmes underway to deliver its strategy for growth, key financial and non-financial benefits (including cost savings, improved customer experiences, greater resilience and strengthening the control environment) and regulatory change. Failure to deliver these programmes within timelines, scope and cost may impact the business model and ability to deliver against the business plan and strategy.

#### C.5.3 Risk measurement

Operational risk is primarily measured and monitored through the Risk and Control Self Assessment (RCSA) process as part of the Operational Risk Framework, which provides a framework to assess the inherent and residual risk exposure and effectiveness of operational controls across the Group.

## C Risk profile (Unaudited) (continued)

### C.5 Operational risk (continued)

To the extent that operational risks cannot be fully mitigated, the Group holds capital against operational risk within the Internal Model SCR calculation. On an annual basis, regulated entities across the Group assess 'Extreme but Plausible' operational risk scenarios to determine the required level of operational risk capital. These scenarios represent issues which, although very low likelihood, have the potential to create extreme losses through a single event or a significant increase in frequency of event. Specific consideration is given to the exposures of each entity when calculating operational risk capital requirements, identifying the risks that each are exposed to and ensuring the reserved capital reflects those.

Outputs for each scenario are then consolidated, taking into account the probability that not all scenarios will occur together, to provide an overall view of the operational risk capital requirement across the Group. The most recent assessment of this nature suggests the key operational risk scenarios across the Group are in respect of Business Operations and Processes, Technology Resilience and Digital Security and Financial Crime.

#### C.5.4 Risk concentration

The most significant areas of risk concentration from an operational risk perspective are in respect of third party outsource arrangements. The Group relies heavily on a small group of key third parties to deliver core business services.

#### C.5.5 Risk mitigation

The Operational Risk Framework defines the Group's approach to the identification, assessment, management and reporting of operational risks and associated controls to provide a single policy, framework and set of standards that ensure consistency of approach across the Group. 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.
- Additional policies, standards and procedures which cover specific operational risk exposures.
- Internal and external incident lessons learned reviews.
- Corporate insurance programmes to limit the financial impact of operational risks.
- Regular testing of elements of the business continuity and disaster recovery plans.
- Strong project governance (including oversight) with reporting and escalation of risks to management and the boards.
- Metrics to monitor and report on the delivery, costs and benefits of transformation programmes with regular deep dive assessments conducted on transformation programmes, individually and collectively.
- Implementation of the operational resilience framework, including the Operational Resilience Policy.

### C.6 Other material risks

#### C.6.1 Business environment and market forces risk

Changing customer preferences together with economic and political conditions, could adversely impact the Group's ability to deliver its strategy. The markets in which the Group operates are highly competitive whilst customer needs and expectations are changing rapidly. Economic factors, including heightened levels of inflation, may impact product demand and the ability to generate an appropriate return. Increased geopolitical risks and conflicts and policy uncertainty may impact the Group's products, investments and operating model. The Group's key savings proposition, PruFund, accounts for a significant proportion of total sales. The Group is also reliant on the intermediated channel for savings solutions sales. This heightens the Group's exposure to changing economic conditions and client preferences. The group's success dependent upon capacity to anticipate and respond appropriately to changes in such external influences.

Macroeconomic headwinds are expected to continue during 2023 including inflationary pressures, rising interest rates, UK political instability, heightened recessionary fears in Europe and US and geopolitical instability. These headwinds may have an impact on investment performance and strategy. The market continues to evolve with a convergence of asset management and wealth, and changes to the value chain. There continues to be competitive pressure on fees and an acceleration of pension de-risking. Prioritisation of investment and the successful delivery of initiatives is required to achieve the Group's business plan.

To manage this risk, the Group conducts an annual strategic planning process, which is overseen by the Risk and Compliance function and the Board, and results in an approved strategy. The process considers the potential impact of the wider business environment and economy. Throughout the year, the Group monitors and reports on the delivery of the plan. The new M&G plc Group Chief Executive Officer commenced in role during 2022, with changes to the organisational structure made shortly thereafter. This included the decentralisation and increased accountability for delivery of the business plan for the CEOs of the Retail and Savings and Asset Management business units.

#### C.6.2 Sustainability, Climate, and ESG Risk

A failure to address and embed sustainability considerations within the Group's strategy, products, operating model, communication approach and an internal/ external changing landscape could adversely impact on the Group's financial performance, reputation and future growth. Consequently there are risks and opportunities of sustainability in the Group's business and the companies the Group invests in. The Group considers and act upon a broad range of issues including those concerning greenwashing, climate impact, diversity and inclusion, and corporate governance.

## C Risk profile (Unaudited) (continued)

### C.6 Other material risks (continued)

Recognising the complex range of risks that sit under ESG, the Group has developed a specific ESG risk management framework to further enhance the approach to the identification, assessment and management of ESG risks, based on the three lines of defence model. The framework is supported by the ESG Risk Policy, which articulates the Group's ESG risk appetite and sets out key business requirements. Consideration of ESG Risk is built into the decision-making processes and a requirement of key strategic board risk assessment papers and regular reporting.

The importance of robust ESG risk management and controls will continue to grow as the industry further develops its approach to ESG, addressing issues such as the quality of ESG data, greenwashing, enhancement of climate change methodologies and implementation of regulatory requirements. The external ESG risk environment is expected to continue remain challenging, with climate physical and transition risks accelerating, biodiversity emerging and social issues continuing to be important. As ESG continues to be mature, enhanced scrutiny is expected from various stakeholder groups, including clients, investors and regulators. Associated with increased scrutiny is the ability to manage greenwashing risk. Greenwashing has the potential for long-term impact upon reputational risk if expectations and deliverables are not met. Sustainability disclosures, driven by regulatory reporting requirements, will continue to improve transparency, consistency and comparability. The Group will implement enhancements to reporting capabilities to meet developing reporting requirements.

Climate change is a critical aspect of sustainability and ESG risk. Both transition and physical risks have the potential to impact the value of the assets the Group manages on clients' behalf, which directly influences the Group's fee-based revenues and balance sheet assets. The Group recognise that climate-related risks can overlap and interact, creating so-called 'compound' and 'cascading' impacts, and that the precise timing and sequence is very hard to predict. Climate change risk is integrated into the Group's scenario analysis process with both top down and bottom up consideration over a range of time horizons. Quantitative models play a role in the scenario analysis and the Group continues to develop its modelling capability recognising existing limitations. Key categories of climate risk are shown in figure 52.

Figure 52: Key Categories of Climate risk

Risk	Description	
Policy and legal	Carbon pricing, climate regulation and restrictions on carbon intensive activities. Increased climate litigation	
Transition risks	Technology	Renewable energy, cleaner transport and other low-emission products and services replacing carbon-intensive technologies, causing obsolescence and potential stranding of assets
	Market	Changes in consumer and investor preferences and related pressure on input/raw material prices
	Reputation	Damage to the Group's standing among clients, investors and other stakeholders
Physical Risks	Acute Physical	Increased frequency and severity of extreme weather
	Chronic Physical	Longer-term shifts in climate patterns and associated impacts on food and water security, human health and geopolitical risk

Climate risk is managed through the ESG risk management framework. The group approach to de-risking involves pulling key levers – investment strategy, stewardship, advocacy and operational change – to ensure that the portfolios managed, and the Group's operations, are aligned with the transition and resilient to physical impacts. Further details of the Group's approach to climate risk can be found in the Climate Related Disclosures of the M&G plc Annual Report and Accounts.

#### C.6.3 Investment performance and risk

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

For asset owner investments a dedicated Investment Office establishes the asset allocation and agrees investment mandates with fund managers. Fund managers are accountable for the performance of the funds they manage and the management of the risks to the funds. An independent Investment Risk and Performance team monitors and oversees fund performance, liquidity and risks, reporting to the CRCO. Such activities feed into established oversight and escalation forums to identify, measure and oversee investment performance, investment risk and fund liquidity risks.

Further information on the management of investment performance risk and investment risk is set out in Section C.7.3.

#### C.6.4 People risk

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



## C Risk profile (Unaudited) (continued)

**C.6 Other material risks (continued)** The Group has an HR Framework and the boards receiving regular reporting on people issues and developments. The framework is designed to align staff objectives and remuneration to business strategy and culture. The Group conduct regular surveys to better understand colleagues' views on business and culture. Findings from these survey drive actions to improve colleagues experience.

### C.6.5 Regulatory compliance

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

Accountability for compliance with regulatory and legal requirements sits with senior management. The Risk and Compliance Function provides guidance to, and oversight of, the Group in relation to regulatory compliance risk, financial crime and conflicts of interest, and carries out routine monitoring and deep dive activities to assess compliance with regulations and legislation.

In December 2022, the Chancellor of the Exchequer announced a set of reforms to drive growth and competitiveness in the financial services sector. These 'Edinburgh Reforms' will increase the volume and pace of regulatory change that will be introduced in the coming years and are also likely to accelerate the UK's regulatory divergence from the EU. Aligned to the Group's strategic objectives, ESG will also be a key area of focus with activities underway to address this. The Group is engaged with the regulators on delivery in line with their expectations.

### C.6.6 Reputational risk

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

Reputational risk is managed through the Reputational Risk Management Framework and dedicated Reputational Risk team who monitor and report on reputational risks using a suite of metrics to monitor stakeholder groups. In addition, embedded reputational risk champions perform an active role in the identification and monitoring of key reputational risks and drivers.

### C.6.7 Conduct risk

There is a risk that through the acts or omissions of the Group, or individuals within the Group, result in poor or unfair outcomes for customers and clients, colleagues, or other stakeholders, or that affect market integrity. Observing the proper standards of conduct in all its forms is essential. Due to the broad nature of conduct risk, management is pervasive and reflected in policy and processes including Code of Conduct, Conflict of Interest, Market Abuse and Investment Communications Recording policies.

The FCA Consumer Duty regime which will come into effect on 31 July 2023 (for new and existing products and services) requires firms to deliver good customer outcomes with focus on four areas (products and services, price and value, consumer understanding and consumer support) and to consider the needs, characteristics and objectives of customers at every stage of the customer journey. The Group is undertaking a Consumer Duty programme.

## C.7 Any other information

### C.7.1 Risk sensitivity

#### C.7.1.1 Stress and scenario testing

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

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

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

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

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

The methodology and assumptions applied to calculate the balance sheets in the stress scenarios are broadly consistent with those applied when valuing the reported balance sheet, however the movement in stressed own funds is calculated using the proxy models.

## C Risk profile (Unaudited) (continued)

### C.7 Any other information (continued)

within the Solvency II Internal Model rather than the full valuation models. The methodology and assumptions are subject to some accepted limitations with the stress testing methodology reviewed and approved on an annual basis to ensure it remains appropriate.

#### C.7.1.2 Sensitivity Analysis

The Group's estimated shareholder, With-Profits Fund and regulatory views of the Solvency II capital position, under a range of sensitivities are shown in Figure 53 below as at 31 December 2022.

Figure 53: Impact of sensitivities

Solvency II sensitivities	M&G plc		Shareholder view		PPL		PAC With-Profits Fund view		Regulatory view <sup>1</sup>				
	Surplus £m	Solvency ratio %	PAC		Surplus £m	Solvency ratio %	Surplus £m	Solvency ratio %	M&G plc		PAC		
			Surplus £m	Solvency ratio %					Surplus £m	Solvency ratio %	Surplus £m	Solvency ratio %	Surplus £m
<b>2022</b>													
As reported (regulatory approved TMTP) <sup>2</sup>	4,841	205%	3,360	190%	44	231%	6,698	364%	4,841	168%	3,360	154%	
As reported (recalculated TMTP) <sup>2</sup>	4,608	199%	3,127	183%	42	224%	6,631	362%	4,608	164%	3,127	150%	
<b>20% fall in equity markets</b>	<b>3,972</b>	<b>187%</b>	<b>2,547</b>	<b>170%</b>	<b>38</b>	<b>219%</b>	<b>6,487</b>	<b>351%</b>	<b>3,972</b>	<b>156%</b>	<b>2,547</b>	<b>141%</b>	
<b>20% instantaneous fall in property markets</b>	<b>4,183</b>	<b>190%</b>	<b>2,738</b>	<b>173%</b>	<b>42</b>	<b>224%</b>	<b>6,599</b>	<b>362%</b>	<b>4,183</b>	<b>158%</b>	<b>2,738</b>	<b>144%</b>	
<b>50 basis points fall in interest rates</b>	<b>4,439</b>	<b>191%</b>	<b>2,960</b>	<b>175%</b>	<b>41</b>	<b>214%</b>	<b>6,641</b>	<b>354%</b>	<b>4,439</b>	<b>159%</b>	<b>2,960</b>	<b>145%</b>	
<b>100 basis points increase in credit spreads</b>	<b>4,339</b>	<b>196%</b>	<b>2,975</b>	<b>181%</b>	<b>41</b>	<b>220%</b>	<b>6,356</b>	<b>360%</b>	<b>4,339</b>	<b>162%</b>	<b>2,975</b>	<b>149%</b>	
<b>20% credit asset downgrades</b>	<b>4,398</b>	<b>194%</b>	<b>2,923</b>	<b>177%</b>	<b>42</b>	<b>223%</b>	<b>6,500</b>	<b>355%</b>	<b>4,398</b>	<b>161%</b>	<b>2,923</b>	<b>146%</b>	
<b>2021</b>													
As reported <sup>2</sup>	6,172	218%	3,866	187%	33	173%	7,777	302%	6,172	168%	3,866	147%	
20% fall in equity markets	5,508	208%	3,234	175%	28	166%	7,671	295%	5,508	161%	3,234	139%	
20% instantaneous fall in property markets	5,748	211%	3,454	179%	32	172%	7,731	302%	5,748	164%	3,454	142%	
50 basis points fall in interest rates	6,078	208%	3,777	178%	28	159%	7,679	291%	6,078	163%	3,777	143%	
100 basis points increase in credit spreads	5,867	218%	3,590	186%	29	166%	7,401	301%	5,867	168%	3,590	146%	
20% credit asset downgrades	5,877	211%	3,572	179%	32	171%	7,605	295%	5,877	164%	3,572	142%	

<sup>1</sup>The regulatory view provides the combined position of the shareholder-backed business and With-Profits Fund for M&G plc and PAC taking account of ring-fenced funds restrictions.

<sup>2</sup>As at 31 December 2021, the regulatory approved TMTP and the recalculated TMTP were the same, having both been recalculated at 31 December 2021. At 31 December 2022, all sensitivities are presented relative to the recalculated TMTP reported results, which differ from the regulatory TMTP reported results shown elsewhere in this document (the regulatory TMTP was calculated as at 30 June 2022 for PAC and 31 December 2021 for PPL). For that reason, both the regulatory approved TMTP and recalculated TMTP base solvency positions are shown.

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

A description of each sensitivity is as follows:

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

## C Risk profile (Unaudited) (continued)

### C.7 Any other information (continued)

- 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.

A range of additional individual and combined stress and scenario tests are also run as a matter of course to help understand the key drivers of the Group's material risk exposures.

Note that PAC has the ability to call down support under a Parental Support Agreement with M&G plc under certain defined circumstances, which provides additional solvency protection. Similarly, PPL also has the ability to call down support under a Capital Support Agreement provided by PAC.

#### *Shareholder sensitivities*

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

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

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

M&G plc and PAC's shareholder business is also exposed to underwriting risks, in particular longevity and expense risk.

#### *With-Profits Fund sensitivities*

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

The results from stress testing show that the With-Profits Fund is also exposed to market risks through downwards equity movements and property shocks, and to credit risk through downgrades in the credit portfolio and/or spread widening. The With-Profits Fund is also sensitive to interest rate movements, with hedges in place to manage this exposure, and the results show that the exposure is to upwards interest rate movements at year-end 2022. This is a change from year-end 2021, when upwards interest rate movements led to an increase in surplus. The difference is primarily due to the lower level of surplus in the fund and the higher market volatility at year-end 2022 which has increased the extent to which the modelled management actions are triggered.

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

The With-Profits Fund is further exposed to underwriting risk through longevity, expense and persistency risk.

#### *PPL sensitivities*

Stress test results confirm that PPL is relatively insensitive to adverse market events, which is consistent with the fact that unit-linked policyholders bear most of the market risk. PPL is most materially exposed to expense and persistency risks, which are actively managed and monitored.

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

### C.7.2 Special Purpose Vehicles

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

### C.7.3 Prudent Person Principle

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

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

The Group outsources investment management to both intra-group and external asset managers with that business 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-wide policies provide a 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.

## **C Risk profile (Unaudited) (continued)**

### **C.7 Any other information (continued)**

- The Savings and Investment Risk Policy covers investment risk across the Group, specifically setting out the group-wide framework for management and oversight of investment performance and investment related risk which includes minimum standards, controls and requirements for risk management. It aims to ensure that all Group entities have appropriate procedures in place to manage, monitor and report on the investment risk that they have taken on for both individual risks and risks in aggregate.
- Within PAC and other asset owner entities, the Asset Owner Business Standard and Asset Owner ESG Investment Policy together cover the asset owner specific aspects of investment risk, specifically setting out the framework for management and oversight of investment performance and investment related risk which including minimum standards controls and requirements for risk management.
- The framework is supported by further documents including specific policies that cover credit, market, underwriting, 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.
- The Best Execution and Order Handling Framework sets out the framework under which customer outcomes are achieved to ensure full compliance with all local regulations. These are supplemented by asset class procedures that detail operational controls.
- The Group oversees its asset managers through monitoring compliance with IMAs and investment mandates. These are structured in order to ensure that, in line with the Prudent Person Principle, appropriate activities for identifying, understanding, measuring and monitoring relevant risks are carried out. Where these activities are carried out on a delegated basis by an asset manager, the Group carries out due diligence to confirm that the level of compliance with the requirements of the Prudent Person Principle remains appropriate. The Group updates and maintains IMAs and investment mandates in line with changes in investment strategy.

## 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 valuation of other liabilities (Section D.3) under Solvency II and an explanation of differences to values in the statutory accounts. M&G plc statutory accounts are prepared on an IFRS basis whereas the statutory accounts for PAC and PPL are prepared on a UK GAAP basis.

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

- Unallocated surplus of the With-Profits Fund which is recognised as a liability in the statutory balance sheet, but treated as surplus under Solvency II;
- Contingent liabilities which are not recognised on the statutory balance sheet but recognised as liabilities under Solvency II if material;
- M&G plc own shares which form part of equity and are valued at cost in the statutory balance sheet, but are recognised on the Solvency II balance sheet as assets at fair value; and
- IFRS 16 leasing assets and liabilities which are not recognised under UK GAAP but are recognised under Solvency II (based on IFRS recognition rules).

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 and are described in Sections D.1.1 (d) and Section D.4.

The valuation and presentation of assets and liabilities can differ under statutory accounts and Solvency II. Figures 54 to 56 below summarise the statutory position and provide 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 on the statutory basis, further information on the bases, methods and main assumptions can be found in the accounting policies and notes of the M&G plc 2022 Annual Reports and Accounts, in particular Note 1.5.4 which covers 'Financial assets and liabilities' and Note 32 'Fair value methodology'. Equivalent UK GAAP disclosures can also be found in the accounting policies and notes of the PAC and PPL 2022 Statutory Accounts, in particular Note 1 (F) and Note 1 (G) which covers 'Financial assets and liabilities' and Note 27 and Note 21 respectively which covers 'Fair value methodology'.

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

As at 31 December 2022, the Solvency II balance sheet incorporates no changes to the recognition of assets and other non-insurance liabilities, compared to the 31 December 2021 Solvency II balance sheet.

## D Valuation for solvency purposes (continued)

### M&G plc

Figure 54: M&G plc - Reconciliation from IFRS consolidated statement of financial position to Solvency II balance sheet

IFRS line items	Differences				Solvency II As at 31 December 2022	Solvency II As at 31 December 2021	Solvency II line items
	IFRS As at 31 December 2022	Unit-linked and Consolidation (a)	Other Presentational (b)	Recognition and Valuation (c)			
	£m	£m	£m	£m	£m	£m	
<b>Assets</b>							<b>Assets</b>
Goodwill and other intangibles	1,877	(363)	—	(1,514)	—	—	Intangible assets
Deferred acquisition costs	94	—	—	(94)	—	—	Deferred acquisition costs
Deferred tax assets	651	(110)	16	(10)	547	89	Deferred tax assets
Defined benefit pension asset	155	(129)	—	—	26	38	Pension benefit surplus
Investments, deposits, cash and cash equivalents <sup>1</sup>	179,272	(79,860)	(16,664)	27	82,775	113,052	Investments, deposits, cash and cash equivalents <sup>1</sup>
Investment in joint ventures and associates (equity accounted)	413	51,236	(413)	(13)	51,223	42,116	Holdings in related undertakings including participations <sup>2</sup>
Assets held for index-linked and unit-linked contracts	—	15,371	(1,617)	—	13,754	17,464	Assets held for index-linked and unit-linked contracts
Loans	3,330	(899)	17,743	(91)	20,083	18,645	Loans and mortgages
Reinsurance assets	1,186	—	1,414	(295)	2,305	3,048	Reinsurance recoverables
Other assets <sup>3</sup>	4,582	(3,119)	(474)	22	1,011	1,312	Other assets <sup>3</sup>
Own shares (held directly) <sup>4</sup>	—	—	—	127	127	108	Own shares (held directly) <sup>4</sup>
<b>Total assets</b>	<b>191,560</b>	<b>(17,873)</b>	<b>5</b>	<b>(1,841)</b>	<b>171,851</b>	195,872	<b>Total assets</b>
<b>Liabilities</b>							<b>Liabilities</b>
Insurance and investment contract liabilities	140,336	—	—	(140,336)	—	—	Technical provisions
Best estimate liabilities	—	(601)	(753)	140,773	139,419	159,540	Best estimate liabilities
Risk margin <sup>5</sup>	—	—	—	659	659	1,149	Risk margin <sup>5</sup>
Unallocated surplus of the With-Profits Fund	15,130	—	—	(15,130)	—	—	Other technical provisions
Provisions	90	(67)	—	—	23	47	Provisions other than technical provisions
Defined benefit pension liability	—	—	—	—	—	50	Pension benefit obligations
Deferred tax liabilities	780	(216)	16	74	654	1,170	Deferred tax liabilities
Derivative liabilities	4,185	(285)	—	—	3,900	2,334	Derivatives
Third party interest in consolidated funds	10,389	(10,684)	746	(51)	400	468	Financial liabilities other than debts owed to credit institutions
Other liabilities <sup>6</sup>	17,820	(6,020)	(4)	(810)	10,986	11,701	Other liabilities <sup>6</sup>
<b>Total liabilities</b>	<b>188,730</b>	<b>(17,873)</b>	<b>5</b>	<b>(14,821)</b>	<b>156,041</b>	176,459	<b>Total liabilities</b>
<b>Total equity</b>	<b>2,830</b>	<b>—</b>	<b>—</b>	<b>12,980</b>	<b>15,810</b>	19,413	<b>Total excess of assets over liabilities</b>

<sup>1</sup> Investments include Property (other than for own use), Equities, Collective Investment Undertakings, Bonds, Derivatives, Deposits other than cash equivalents, Cash and cash equivalents. The breakdown of these are detailed in Section D.1.2.5 Figure 57.

<sup>2</sup> Holdings in related undertakings and participations reflects sectoral undertakings, open-ended investment companies, unit trusts and other investment funds meeting the definition of a participation under Solvency II. Other related undertakings are consolidated on a line-by-line basis. Further details are set out in Section D.1.2.6.

<sup>3</sup> 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 58.

## D Valuation for solvency purposes (continued)

<sup>4</sup> Own shares are shown as a component of equity in the IFRS consolidated statement of financial position, but as balance sheet assets in Solvency II. The own shares are recognised on the Solvency II balance sheet at fair value, while IFRS equity includes the shares valued at cost.

<sup>5</sup> Net of TMTP

<sup>6</sup> Other liabilities includes debts owed to credit institutions, Deposits from reinsurers, Insurance and intermediaries payable, Payables (trade, not insurance), Reinsurance payables and Subordinated liabilities. The breakdown of these are detailed in Section D.3.1.6 Figure 74.

Notes:

- (a) *Unit-linked and consolidation differences* primarily represent presentational differences in the way unit-linked funds and holdings in related undertakings are consolidated. In the Solvency II balance sheet entities, other than insurance entities and ancillary service undertakings, are presented on single lines as 'Holdings in related undertakings, including participations', whilst under IFRS the underlying assets and liabilities are shown in each line of the consolidated statement of financial position.
- This column also includes the impact of consolidation of certain funds with third party interests. The Solvency II balance sheet only recognises the proportion of the funds that the Group owns, whereas the IFRS consolidated statement of financial position recognises the entire fund and then separately includes a liability for third party interests.
- (b) *Other presentation differences* represent movements between line items with no overall impact on the excess of assets over liabilities. The main differences include:
- £17,707m increase in loans and mortgages, in respect of reverse repos, which are instead presented as deposits under IFRS.
  - £1,672m increase in reinsurance assets relating to arrangements which do not give rise to significant underwriting risk. Under IFRS these are presented as deposits rather than reinsurance.
- (c) *Recognition and valuation differences* primarily represent differences in valuation methods and assumptions, or the treatment of unallocated surplus of the With-Profits Fund, under IFRS and Solvency II. The most significant of these are:
- £15,130m 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).
  - £1,096m increase in technical provisions and £295m decrease in reinsurance recoverables from differences in the assumptions and methodology under IFRS and Solvency II. See Section D.2.1.4 and section D.2.1.3 for further details.
  - £1,608m 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 and D.1.2.2.

## D Valuation for solvency purposes (continued)

### PAC

Figure 55: PAC - Reconciliation from UK GAAP balance sheet to Solvency II balance sheet

UK GAAP line items	UK GAAP As at 31 December 2022 £m	Differences			Solvency II As at 31 December 2022 £m	Solvency II As at 31 December 2021 £m	Solvency II line items
		Unit-linked and Scope (a) £m	Other Presentational (b) £m	Valuation and Recognition (c) £m			
<b>Assets</b>							<b>Assets</b>
Deferred acquisition costs	9	—	—	(9)	—	—	Deferred acquisition costs
Defined benefit pension asset	23	—	—	—	23	27	Pension benefit surplus
Investments, deposits, cash and cash equivalents <sup>1</sup>	138,277	(49,457)	(12,739)	(41)	76,040	106,324	Investments & Cash and cash equivalents (other than assets held for index-linked and unit-linked contracts and participations)
Participations	6,181	49,457	(849)	68	54,857	44,680	Holdings in related undertakings, including participations
Reinsurance recoverable	5,964	—	(243)	(240)	5,481	6,795	Reinsurance recoverables
Deferred tax assets	453	—	(61)	—	392	—	Deferred tax assets
Assets held for index-linked and unit-linked contracts	10,440	—	(4,345)	—	6,095	7,210	Assets held for index-linked and unit-linked contracts
Loans and mortgages	2,421	—	17,724	(92)	20,053	18,596	Loans and mortgages
Other assets <sup>2</sup>	1,321	—	348	—	1,669	2,119	Other assets
<b>Total assets</b>	<b>165,089</b>	<b>—</b>	<b>(165)</b>	<b>(314)</b>	<b>164,610</b>	<b>185,751</b>	<b>Total assets</b>
<b>Liabilities</b>							<b>Liabilities</b>
Unallocated surplus of the With-Profits Fund	14,929	—	—	(14,929)	—	—	Other technical provisions
Technical provisions	134,639	—	—	(134,639)	—	—	Technical provisions
Best estimate liability	—	—	121	135,130	135,251	153,322	Best estimate liability
Risk margin <sup>3</sup>	—	—	—	571	571	1,060	Risk margin <sup>3</sup>
Provisions other than technical provisions	27	—	(3)	—	24	27	Provisions other than technical provisions
Defined benefit pension liability	—	—	—	—	—	50	Pension benefit obligations
Deferred tax liabilities	465	—	(56)	54	463	970	Deferred tax liabilities
Debts owed to credit institutions	1,384	—	656	—	2,040	2,777	Debts owed to credit institutions
Financial liabilities other than debts owed to credit institutions	1	—	1	3	5	41	Financial liabilities other than debts owed to credit institutions
Derivative liabilities	3,883	—	17	—	3,900	2,334	Derivatives
Other liabilities <sup>4</sup>	6,978	—	(901)	(37)	6,040	5,232	Other liabilities <sup>4</sup>
<b>Total liabilities</b>	<b>162,306</b>	<b>—</b>	<b>(165)</b>	<b>(13,847)</b>	<b>148,294</b>	<b>165,813</b>	<b>Total liabilities</b>
<b>Total equity</b>	<b>2,783</b>	<b>—</b>	<b>—</b>	<b>13,533</b>	<b>16,316</b>	<b>19,938</b>	<b>Excess of assets over liabilities</b>

<sup>1</sup> The breakdown of these Investments are detailed further in Section D.1.2.5. Figure 57.

<sup>2</sup> Other assets include Property, plant and equipment held for own use, Insurance and intermediary receivables and Reinsurance receivables and Receivables (trade, not insurance). The breakdown of these are detailed in Section D.1.2.9 Figure 58.

<sup>3</sup> Net of TMTP

<sup>4</sup> Other liabilities includes, Deposits from reinsurers, Insurance and intermediaries payable, Reinsurance payables, Payables (trade, not insurance). The breakdown of these are detailed in Section D.3.1.6, Figure 75.



## D Valuation for solvency purposes (continued)

Notes:

- (a) *Unit-linked and consolidation differences* primarily represent presentational differences in the way unit-linked funds and holdings in related undertakings are consolidated. The difference represents a reclassification of £49,457m of collective investment in which PAC's holding exceed 20% which are classified as participations under Solvency II.
- (b) *Other presentation differences* represent movements between line items with no overall impact on the excess of assets over liabilities. The main differences include:
- £17,724m increase in loans and mortgages mostly relates to the movement of reverse repos which are instead presented as deposits for UK GAAP.
  - £4,345m relating to assets held by the index-linked funds which are presented together in a single line on the UK GAAP statutory accounts balance sheet rather than within each individual asset/liability category. These amounts reported as index-linked funds for the statutory accounts do not meet the Solvency II definition of index-linked and accordingly are reported in the various individual asset and liability categories.
- (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 UK GAAP and Solvency II. The most significant of these are:
- £14,929m reduction in other technical provisions arising from the treatment of unallocated surplus of the With-Profits Fund. For UK GAAP, 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).
  - £1,062m increase in technical provisions and £240m decrease in reinsurance recoverables from differences in the assumptions and methodology under UK GAAP and Solvency II. See Section D.2.1.3 and D.2.1.4 for further details.
  - £92m reduction in the value of loans and mortgages which are valued at fair value under SII. £9m 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 and D.1.2.2.

### PPL

Figure 56: PPL - Reconciliation from UK GAAP balance sheet to Solvency II balance sheet

UK GAAP line items	UK GAAP As at 31 December 2022 £m	Differences			Solvency II As at 31 December 2022 £m	Solvency II As at 31 December 2021 £m	Solvency II line items
		Unit Linked and Scope (a) £m	Other Presentational (b) £m	Valuation and Recognition (c) £m			
<b>Assets</b>							<b>Assets</b>
Investments (other than participations)	72	—	—	—	72	97	Government Bonds and Other Loans and Mortgages
Assets held in index-linked and unit-linked funds	7,286	—	(1,587)	—	5,699	8,088	Assets held for index-linked and unit-linked contracts
Reinsurance recoverable	32	—	1,587	—	1,619	1,827	Reinsurance recoverables
Cash and cash equivalents	13	—	—	—	13	12	Cash and cash equivalents
Other assets	17	—	—	—	17	51	Other assets
<b>Total assets</b>	<b>7,420</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>7,420</b>	<b>10,076</b>	<b>Total assets</b>
<b>Liabilities</b>							<b>Liabilities</b>
Technical provisions	7,318	—	—	(7,318)	—	—	Technical provisions
Best estimate liability	—	—	—	7,303	7,303	9,897	Best estimate liability
Risk margin	—	—	—	10	10	17	Risk margin
Deferred taxation	—	—	—	1	1	1	Deferred tax liabilities
Other liabilities	28	—	—	—	28	84	Other liabilities
<b>Total liabilities</b>	<b>7,346</b>	<b>—</b>	<b>—</b>	<b>(4)</b>	<b>7,342</b>	<b>9,999</b>	<b>Total liabilities</b>
<b>Total equity</b>	<b>74</b>	<b>—</b>	<b>—</b>	<b>4</b>	<b>78</b>	<b>77</b>	<b>Total excess of assets over liabilities</b>

## D Valuation for solvency purposes (continued)

Notes:

- (a) *Unit-linked and consolidation differences* do not impact PPL.
- (b) *Other presentation differences* represent movements between line items with no overall impact on the excess of assets over liabilities. The main differences include:
- The difference primarily relates to a Companies Act presentation difference for investment contracts without discretionary participation features. For the Solvency II balance sheet these items are reported as reinsurance but in the UK GAAP financial statements they are classified as investments.
- (c) *Recognition and valuation differences* primarily represent differences in valuation methods and assumptions under UK GAAP and Solvency II. The most significant of these is:
- £5m decrease in technical provisions from differences in the assumptions and methodology under UK GAAP and Solvency II. See Section D.2.1.3 for further details.

### D.1 Valuation of assets

#### D.1.1 Determination of Solvency II fair value

Within the Solvency II balance sheet, assets are valued using valuation methods that are consistent with the valuation approach set out in the Solvency II Directive. There have been no significant changes in the valuation basis of assets in the Solvency II balance sheet in 2022. The overall principle when valuing assets and liabilities under Solvency II is to use fair value.

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

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

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

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

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

As at 31 December 2022, the following amount of financial assets (net of any derivative liabilities) were valued using this approach:

- M&G plc: £68,827m (2021: £105,417m)
- PAC: £60,571m (2021: £94,292m)
- PPL: £5,623m (2021: £7,875m)

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

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

There are a limited number of financial assets valued in this manner. As at 31 December 2022, the following amount of financial assets (net of any derivative liabilities) were valued using this approach, primarily foreign exchange forwards:

- M&G plc: £(34)m (2021: £398m)
- PAC: £(423)m (2021: £(23)m)
- PPL: £0.0m (2021: £1m)

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

## D Valuation for solvency purposes (continued)

### D.1 Valuation of assets (continued)

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

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

Where possible, the alternative valuation method uses significant inputs into the valuation that are observable for the asset directly (i.e. market data) or indirectly (i.e. derived from market data). As at 31 December 2022, the following amount of financial assets (net of any derivative liabilities) were valued using this approach:

- M&G plc: £59,527m (2021: £42,838m)
- PAC: £64,340m (2021: £38,763m)
- PPL: £114m (2021: £450m)

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

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

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

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

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

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

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

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

## D Valuation for solvency purposes (continued)

### D.1 Valuation of assets (continued)

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

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

As at 31 December 2022, M&G plc held £36,268m (2021: £38,732m), PAC held £30,981m (2021: £35,964m) and PPL held £126m (2021: £423m) of assets, net of liabilities, which were internally valued using the valuations methods described above.

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

- Investment properties of £10,820m (2021: £11,853m) for M&G plc and £6,874m ((2021: £8,096m) for PAC as at 31 December 2022, that are valued by professionally qualified external valuers using the RICS valuation standards. Fair value losses on property are mostly in relation to the downturn in UK and European property markets, driven by the rise in yields and increase in cost of living.
- Debt securities of £7,679m as at 31 December 2022 (2021: £11,509m) for M&G plc, £7,532m (2021: £11,442m) for PAC and £15m (2021: £14m) for PPL, which were either valued using discounted cash flow models with an internally developed discount rate, or using other valuation methodologies including enterprise valuation and estimated recovery (such as liquidators' reports).
- Equity securities and pooled investment funds with a value of £15,406m (2021: £11,793m) for M&G plc, £15,511m (2021: £12,973m) for PAC, and £111m (2021: £409m) for PPL. 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 £2,085m as at 31 December 2022 (2021: £3,192m) for M&G plc, and £2,085m (2021: £3,184m) for PAC. Of this amount £901m (2021: £1,650m), and a corresponding liability of £246m (2021: £403m) for both M&G plc and PAC relate to equity release mortgages which were valued internally using discounted cash flow models and a variation of the black-scholes closed form formula for the valuation of the cost of the No Negative Equity Guarantee. The inputs that are most significant to the valuation of these loans are the discount rate, the current property value, the assumed future property growth and the assumed future annual property rental yields. The discount rate is internally derived and makes use of market information on rates being quoted for new equity release mortgages.
- M&G plc and PAC have a £259m (2021: £331m) 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. PAC's and therefore M&G plc's exposure to this portfolio is limited to the investments held by the With-Profits Fund, rather than to the individual loans and borrowings themselves. The most significant non-observable inputs to the mortgage fair value are the level of future defaults and prepayments by the mortgage holders.

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

## D Valuation for solvency purposes (continued)

### D.1 Valuation of assets (continued)

#### D.1.2 Valuation of assets under Solvency II compared with statutory balance sheet

This section describes the main areas of difference between the Solvency II and statutory accounts asset values. Further details of the IFRS valuation approaches are described in the M&G plc 2022 Annual Report and Accounts, with details of the UK GAAP valuation approaches outlined in PAC and PPL's 2022 financial statements.

To ensure comparisons are on a like-for-like basis, any statutory accounts amounts quoted in this section are shown after allowing for presentational changes noted in Figures 54 to 56, to align them with the amounts reported under the Solvency II balance sheet headings. As such the statutory accounts amounts may differ from that disclosed in the financial statements discussed above.

##### D.1.2.1 Goodwill and other intangible assets

###### *M&G plc*

Goodwill and other other intangible assets are held on M&G plc's IFRS consolidated statement of financial position only.

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 on the M&G plc consolidated statement of financial position relates to the acquisition of M&G Group Limited.

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

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

##### D.1.2.2 Deferred acquisition costs

###### *M&G plc, PAC*

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

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

##### D.1.2.3 Deferred tax assets

###### *M&G plc, PAC*

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 DTA and deferred tax liabilities (DTL) on a statutory basis compared to that under Solvency II principally arise as a result of valuation changes relating to the technical provisions' best estimate liabilities (BEL).

DTAs are offset against DTLs where appropriate.

##### D.1.2.4 Pension benefit surplus

###### *M&G plc, PAC*

M&G plc's pension benefit surplus is £27m (2021: £38m) under Solvency II and £155m (2021: £38m) under IFRS.

PAC's pension benefit surplus is £23m (2021: £27m) for both Solvency II and UK GAAP. There is no pension benefit surplus in PPL as it does not have any obligations in respect of defined benefit pension schemes.

Pension benefit surplus (or deficit) is described further in Section D.3.1.2.

## D Valuation for solvency purposes (continued)

### D.1 Valuation of assets (continued)

#### D.1.2.5 Investments, deposits, cash and cash equivalents

##### M&G plc, PAC, PPL

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

Figure 57: Investments on the Solvency II balance sheet

	As at 31 December					
	M&G plc		PAC		PPL <sup>2</sup>	
	2022 <sup>1</sup>	2021 <sup>1</sup>	2022 <sup>1</sup>	2021 <sup>1</sup>	2022 <sup>1</sup>	2021 <sup>1</sup>
	£m	£m	£m	£m	£m	£m
Property (other than for own use)	10,506	11,519	6,878	8,099	—	—
Equities	9,919	21,302	9,879	21,302	—	—
Collective Investments Undertakings	12,091	13,021	9,946	10,670	—	—
Bonds	45,191	61,186	45,030	61,040	16	24
Derivatives	2,552	3,179	2,551	3,179	—	—
Deposits other than cash equivalents	1,143	730	1,008	652	56	74
Cash and cash equivalents	1,373	2,115	748	1,382	13	12
<b>Total</b>	<b>82,775</b>	<b>113,052</b>	<b>76,040</b>	<b>106,324</b>	<b>85</b>	<b>109</b>

<sup>1</sup> As per Figures 54 to 56, there are no valuation differences between Solvency II and statutory basis for 'investments, deposits, cash and cash equivalents'.

<sup>2</sup> PPL figures exclude reinsurance recoverable 2022 : £1,619m (2021 : £1,827m).

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

#### D.1.2.6 Holdings in related undertakings including participations

##### M&G plc

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 the statutory accounts basis.

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:

- The contribution of M&G plc's regulated OFS entities (e.g. MGG) and other non-regulated OFS entities (e.g. PruCap). The valuation of the individual assets and liabilities of these entities is determined using the sectoral rules where these are regulated, and notional sectoral rules where these are non-regulated. For M&G plc the overall contribution is presented within the single line 'Holdings in related undertakings, including participations' in the Solvency II balance sheet but are consolidated line-by-line on a statutory basis.
- The values of OEICs, unit trusts and other investment funds meeting the definition of a participation under Solvency II. PAC, and therefore M&G plc, invests in OEICs and unit trusts, which invest mainly in equity, bonds, cash and cash equivalents, properties, investment funds and deposits other than cash equivalents. Where M&G plc is deemed to control these entities under IFRS 10, these entities are treated as subsidiaries and consolidated in the IFRS consolidated financial statements. On PAC's statutory balance sheet the investments in the OEICs and unit trusts are shown as participations. For solvency purposes, M&G plc's interests in these entities is treated the same as PAC's, valued on a Solvency II basis, and presented as a single line within 'Holdings in related undertakings, including participations'.

The value of related undertakings as at 31 December 2022 shown in the Solvency II balance sheet was £51,223m (2021: £42,116m) which is £13m lower (2021: £4m lower) than the equivalent contribution of these undertakings to IFRS shareholders' equity. This difference arises from MGG where the amount recognised under Solvency II is £133m lower (2021: £148m lower) than its contribution to IFRS shareholders' equity, reflecting restrictions under MGG's sectoral rules, offset by variances as a result of differences in IFRS and Solvency II fund valuation methodology.

##### PAC

Under Solvency II rules the adjusted equity method is applied to all investments in subsidiary undertakings. The adjusted equity method is based on the excess of assets over liabilities for each subsidiary, with the subsidiaries' individual assets and liabilities valued in accordance with the Solvency II Directive. Where the related undertaking is an insurance undertaking technical provisions are valued in accordance with Articles 76 to 85 of the directive.

Included within the value of participations is the impact of transitional measures, as applicable to participations which are insurance undertakings.

The value of related undertakings at 31 December 2022 shown in the Solvency II balance sheet was £54,857m (2021: £44,680m) which is £48,676m higher (2021: £38,556m higher) than the equivalent contribution of these undertakings to UK GAAP shareholders' equity. This difference is presentational and arises from the collective investment in undertakings which PAC's holdings exceed 20% which are classified as participations where the amount recorded under Solvency II is £49,457m higher than its contribution to UK GAAP shareholders' equity. £849m relates to assets held by the index-linked funds which are presented together in a single line on the UK GAAP statutory accounts balance sheet rather than within each individual asset/liability category.

## D Valuation for solvency purposes (continued)

### D.1 Valuation of assets (continued)

The residual valuation differences arise 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

*M&G plc, PAC, PPL*

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

*M&G plc*

Assets held for index-linked and unit-linked contracts are presented differently under IFRS and Solvency II. Under IFRS, a line-by-line consolidation of the underlying funds is performed, and these are reported within the appropriate line of the consolidated statement of financial position. In Solvency II these assets (net of any liabilities) are recorded in aggregate as a single line entry on the balance sheet. There is also a presentational difference in relation to reinsurance of investment contracts without discretionary participation features, where amounts due from reinsurers are reported as reinsurance recoverables under Solvency II but as deposits under IFRS.

Differences in the valuation methodology applied to the underlying assets and non-insurance liabilities of the linked business under IFRS and Solvency II (as described in the Notes to Figure 54 above) do not give rise to any valuation differences at 31 December 2022 (2021: £206m). This relates to the holdings of the M&G Group Pension Scheme in PPL contracts; these holdings were fully disinvested over 2022.

*PAC*

Under UK GAAP these assets are recorded in aggregate as a single line entry on the balance sheet similar to Solvency II. The individual assets and non-insurance liabilities of the linked business are valued in accordance with the Solvency II principles set out in this section. The difference between UK GAAP and Solvency II relates to the different definitions of index-linked between the two bases. For Solvency II reporting, business is only classified as index-linked where the policyholder bears the risk and not where risks are borne by the shareholder. For UK GAAP all index-linked business is classified as index-linked business, irrespective of the sharing of risks. There is also a difference in relation to investment contracts without discretionary participation features, where amounts due from reinsurers are reported as reinsurance under Solvency II but as investments under UK GAAP.

After allowing for these presentational differences, there is no difference in the value of the underlying assets and non-insurance liabilities of the linked business under UK GAAP and Solvency II.

*PPL*

Under UK GAAP these assets are recorded in aggregate as a single line entry on the balance sheet similar to Solvency II. The individual assets and non-insurance liabilities of the linked business are valued in accordance with the Solvency II principles set out in this section. The difference between UK GAAP and Solvency II relates to the different definitions of index-linked between the two bases. For Solvency II reporting, business is only classified as index-linked where the policyholder bears the risk and not where risks are borne by the shareholder. For UK GAAP all index-linked business is classified as index-linked business, irrespective of the sharing of risks. There is also a difference in relation to investment contracts without discretionary participation features, where amounts due from reinsurers are reported as reinsurance under Solvency II but as investments under UK GAAP.

After allowing for these presentational differences, there is no difference in the value of the underlying assets and non-insurance liabilities of the linked business under UK GAAP and Solvency II.

#### D.1.2.8 Loans and mortgages

*M&G plc, PAC, PPL*

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

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

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

#### D.1.2.9 Other assets

*M&G plc, PAC, PPL*

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

## D Valuation for solvency purposes (continued)

### D.1 Valuation of assets (continued)

Figure 58: Other assets on the Solvency II balance sheet

	As at 31 December 2022						As at 31 December 2021					
	M&G plc		PAC		PPL		M&G plc		PAC		PPL	
	Solvency II	IFRS	Solvency II	UK GAAP	Solvency II	UK GAAP	Solvency II	IFRS	Solvency II	UK GAAP	Solvency II	UK GAAP
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Property, plant & equipment held for own use	315	287	6	6	—	—	334	277	9	—	—	—
Insurance and intermediaries receivables	24	24	20	20	—	—	27	27	24	24	—	—
Reinsurance receivables	26	26	26	26	—	—	26	26	62	59	—	—
Receivables (trade, not insurance)	646	651	1,617	1,617	17	17	925	949	2,024	1,557	51	51
Other	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total of 'Other assets'</b>	<b>1,011</b>	<b>988</b>	<b>1,669</b>	<b>1,669</b>	<b>17</b>	<b>17</b>	<b>1,312</b>	<b>1,279</b>	<b>2,119</b>	<b>1,640</b>	<b>51</b>	<b>51</b>

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

#### D.1.2.10 Leasing (Right of use assets)

##### M&G plc

Under IFRS, where M&G plc 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.

M&G plc's approach for measuring the fair value of the right of use assets under Solvency II is based on a revised present value of future lease liability payments rather than the depreciated IFRS asset value. The discount rate used for the lease asset is set to be consistent with the rate used for the lease liability. The corresponding lease liability is described in Section D.3.1.8, and further information on the Group's leasing arrangements is described in Section A.4.2.

'Property, plant & equipment held for own use' includes £207m as at 31 December 2022 (2021: £224m) in relation to right of use assets that do not meet the definition of investment property, and primarily related to operating leases over land and buildings utilised as office space.

##### PAC

Under UK GAAP where PAC is a lessee, it recognises a provision for costs associated with occupying the building, but does not recognise a 'right of use' asset. Therefore an adjustment is made under Solvency II to recognise right of use assets.

##### PPL

PPL does not have any 'right of use' assets.

### D.2 Technical provisions

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

#### D.2.1 Overview of Solvency II technical provisions

##### M&G plc, PAC, PPL

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

##### D.2.1.1 BEL

The BEL corresponds to the probability-weighted average of future cash flows, taking account of the time value of money (i.e. the expected present value of future cash flows), using the risk-free interest rate term structure published by the PRA with allowance for a matching adjustment where relevant. The calculation of the BEL is based upon up-to-date and credible information and realistic assumptions (derived from data analysis and expert judgement) and is performed using appropriate actuarial and statistical methods. The cash flow projections used in the calculation of the BEL take account of all the cash inflows and outflows required to settle the insurance obligations over their lifetime. The cash flows included in the BEL calculation are derived after applying Solvency II contract



## D Valuation for solvency purposes (continued)

### D.2 Technical provisions (continued)

boundary rules, which determine whether future premiums 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 valuation methods and assumptions are described in more detail in Sections D.2.2 to D.2.4.

#### D.2.1.2 Risk margin

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

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

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

#### D.2.1.3 Technical provisions by line of business

##### M&G plc

Figure 59: M&G plc - Value of technical provisions

Solvency II Line of business	As at 31 December						
	2022			2021			
	Solvency II BEL £m	Solvency II Risk margin £m	Solvency II TMTP £m	Solvency II Total <sup>1</sup> £m	IFRS Total <sup>2</sup> £m	Solvency II Total £m	IFRS Total <sup>2</sup> £m
Insurance with-profit participation	105,325	711	(425)	105,612	110,828	113,737	128,610
Index-linked and unit-linked insurance	15,344	82	(52)	15,374	15,770	19,312	19,854
Other	18,629	1,405	(1,062)	18,971	12,352	27,512	28,060
Non-life business	121	—	—	121	122	128	131
<b>Total</b>	<b>139,419</b>	<b>2,198</b>	<b>(1,539)</b>	<b>140,078</b>	<b>139,072</b>	<b>160,689</b>	<b>176,655</b>

<sup>1</sup> Solvency II technical provisions are as reported in template S.02.01.02.

<sup>2</sup> IFRS liabilities as reported in the consolidated financial statements, include a further £1,003m (2021: £919m) 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.

The main differences in technical provisions between the IFRS financial statements and Solvency II are:

- (a) The IFRS technical provisions do not include an explicit risk margin as the allowance for risk is included within the assumptions. An explicit risk margin of £2,198m (2021: £3,587m) is held under Solvency II, but the amount is partially offset by the TMTP which smooths the impact of moving from the previous Solvency I regime.
- The TMTP is run-off in a straight line over 16 years to 2032, and is recalculated at least every two years, or if there has been a significant change in the risk profile of the business since the previous calculation. The TMTP is based on the last approved regulatory recalculation, the most recent of which was performed as at 30 June 2022 for PAC and 31 December 2021 for PPL, and reduces the Group's technical provisions by £1,539m (2021: £2,439m) (see Section D.2.4.4 for further details).
- (b) Insurance with-profit participation differences:
- The unallocated surplus of the With-Profits Fund represents the excess of the fund's assets over policyholder liabilities that are yet to be apportioned between policyholders and shareholders. Under IFRS, the unallocated surplus of £15,130m (2021: £16,723m) is recorded as a liability, whilst there is no equivalent in the Solvency II balance sheet.
  - In contrast, the Solvency II technical provisions allow for future enhancements to asset shares in respect of miscellaneous surplus, including on non-profit annuity business, of £777m (2021: £857m) and for the tax payable on shareholder transfers of £907m (2021: £752m). For miscellaneous surplus, the impact under IFRS is offset by a change in the present value of future profits. See section D.2.3.1 for further details of both adjustments.
- (c) The method of calculation and the assumptions used to value non-profit liabilities differ between Solvency II and IFRS. The main differences are:
- The value of the excess of future charges over expenses on unit-linked investment contracts are recognised under Solvency II but not under IFRS resulting in £430m (2021: £415m) lower liabilities under Solvency II;
  - Amounts recognised under Solvency II include the impact of contract boundaries which has a £20m impact on Solvency II BEL;
  - 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 £1,233m (2021: £2,386m) lower liabilities under Solvency II; and
  - Economic assumptions, including the discount rate, differ between Solvency II and IFRS, resulting in a £117m (2021: £677m) increase in liabilities under Solvency II.

## D Valuation for solvency purposes (continued)

### D.2 Technical provisions (continued)

#### PAC

Figure 60: PAC - Value of technical provisions

Solvency II Line of business	As at 31 December						
			2022		2021		
	Solvency II BEL	Solvency II Risk margin	Solvency II TMTP	Solvency II Total	UK GAAP Total	Solvency II Total	UK GAAP Total
	£m	£m	£m	£m	£m	£m	£m
Insurance with-profit participation	98,356	651	(425)	98,582	121,091	106,744	127,971
Index-linked and unit-linked insurance	10,924	50	(44)	10,930	15,502	12,848	19,568
Other life insurance	18,213	1,374	(1,042)	18,545	14,599	26,865	20,551
Accepted reinsurance - insurance with-profit participation	7,161	3	—	7,164	(1,644)	7,103	1,723
Accepted reinsurance - other life insurance	485	25	(21)	489	33	694	44
Health insurance	(9)	—	—	(9)	(13)	—	(13)
Non-life business <sup>1</sup>	121	—	—	121	122	128	131
<b>Total</b>	<b>135,251</b>	<b>2,103</b>	<b>(1,532)</b>	<b>135,822</b>	<b>149,690</b>	<b>154,382</b>	<b>169,975</b>

<sup>1</sup>For consistency with the presentation of the Solvency II BEL, we have included the £122m (2021: £131m) non-life liability in the UK GAAP column. In the balance sheet in Figure 55 the non-life liability is included in the Other liabilities row.

The main differences in technical provisions between the UK GAAP financial statements and Solvency II are:

- (a) The UK GAAP liabilities do not include an explicit risk margin as the allowance for risk is included within the assumptions. An explicit risk margin of £2,103m (2021: £3,490m) is held under Solvency II, but the amount is partially offset by the TMTP. The TMTP is based on the last approved regulatory recalculation, the most recent of which was performed at 30 June 2022 and reduces PAC's technical provisions by £1,532m (2021: £2,430m). See Section D.2.4.4 for further details.
- (b) Insurance with-profit participation differences:
  - The unallocated surplus of the With-Profits Fund represents the excess of the fund's assets over policyholder liabilities that are yet to be apportioned between policyholders and shareholders. Under IFRS, the unallocated surplus of £14,929m (2021: £16,871m) is recorded as a liability, whilst there is no equivalent in the Solvency II balance sheet.
  - In contrast, the Solvency II technical provisions allow for future enhancements to asset shares in respect of miscellaneous surplus, including on non-profit annuity business, of £777m (2021: £857m) and for the tax payable on shareholder transfers of £907m (2021: £752m). For miscellaneous surplus, the impact under IFRS is offset by a change in the present value of future shareholder transfer. See section D.2.3.1 for further details on both adjustments.
- (c) The method of calculation and the assumptions used to value non-profit liabilities (primarily shown in the 'Other life insurance' row in Figure 60), differ between Solvency II and UK GAAP. 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 £75m lower liabilities under Solvency II.
  - Amounts recognised under Solvency II include the impact of contract boundaries which has a £11m impact on Solvency II BEL;
  - Non-economic assumptions generally contain margins for risk and uncertainty under UK GAAP (or additional reserves are held) compared to the best estimate assumptions applied under Solvency II, resulting in £1,255m (2021: £2,386m) lower liabilities under Solvency II.
  - Economic assumptions, including the discount rate, differ between Solvency II and UK GAAP, resulting in a £117m (2021: £677m) increase in liabilities under Solvency II.
- (d) The UK GAAP insurance contract liabilities include £919m (2021: £841m) of outstanding claims which are shown as Insurance and intermediary payables under Solvency II.

## D Valuation for solvency purposes (continued)

### D.2 Technical provisions (continued)

#### PPL

Figure 61: PPL - Value of technical provisions

Solvency II Line of business	As at 31 December						
	2022			2021			
	Solvency II BEL £m	Solvency II Risk margin £m	Solvency II TMTP £m	Solvency II Total £m	UK GAAP Total £m	Solvency II Total £m	UK GAAP Total £m
Other life insurance	33	—	—	33	32	44	44
Unit-linked insurance	2,547	8	(3)	2,552	2,566	4,384	4,394
Accepted life reinsurance	4,723	9	(4)	4,728	4,720	5,485	5,478
<b>Total</b>	<b>7,303</b>	<b>17</b>	<b>(7)</b>	<b>7,313</b>	<b>7,318</b>	<b>9,913</b>	<b>9,916</b>

The main differences in technical provisions between the UK GAAP financial statements and Solvency II are:

- The UK GAAP liabilities do not include an explicit risk margin as the allowance for risk is included within the assumptions. An explicit risk margin of £17m (2021: £25m) is held under Solvency II, but the amount is partially offset by the TMTP. The TMTP is based on the last approved regulatory recalculation, the most recent of which was performed at 31 December 2021 and reduces PPL's technical provisions by £7m (2021: £8m). See Section D.2.4.4 for further details.
- The method of calculation and the assumptions used to value non-profit liabilities differ between Solvency II and UK GAAP. 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 £25m (2021: £29m) lower liabilities under Solvency II;
  - Amounts recognised under Solvency II include the impact of contract boundaries which has a £10m impact on Solvency II BEL.
  - Non-economic assumptions generally contain margins for risk and uncertainty under UK GAAP (or additional reserves are held) compared to the best estimate assumptions applied under Solvency II.

#### D.2.1.4 Reinsurance recoverables

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

The following table shows the reinsurance recoverables (net of intra-group transactions) compared to the statutory accounts value.

Figure 62: Value of reinsurance recoverables

Reinsurance recoverables <sup>1</sup>	As at 31 December					
	M&G plc		PAC		PPL	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Index-linked and unit-linked insurance	1,715	1,937	4,889	5,683	1,586	1,783
Other <sup>2</sup>	590	1,112	592	1,112	33	44
<b>Total Solvency II</b>	<b>2,305</b>	<b>3,049</b>	<b>5,481</b>	<b>6,795</b>	<b>1,619</b>	<b>1,827</b>
<b>Total statutory accounts</b>	<b>1,186</b>	<b>1,669</b>	<b>5,964</b>	<b>7,224</b>	<b>32</b>	<b>44</b>
<b>Difference</b>	<b>(1,119)</b>	<b>(1,380)</b>	<b>483</b>	<b>429</b>	<b>(1,587)</b>	<b>(1,783)</b>

The lines of business include direct business and accepted reinsurance.

<sup>2</sup>Includes annuities, with-profit participation, health insurance and Non-Life business.

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

The majority of the difference between Solvency II and IFRS values for reinsurance recoverables for M&G plc relates to presentational differences. Under IFRS, reinsurance arrangements that do not transfer significant underwriting risk are reported as 'deposits' contributing £1,616m (2021: £1,884m) to the difference in Figure 62 above.

The majority of the difference between Solvency II and UK GAAP values for reinsurance recoverables for PAC and PPL relate to differences in the valuation approach, specifically the reclassification of the reinsurers' share of investment contracts liabilities without discretionary participation features. For the purposes of the financial statements, PAC and PPL apply deposit accounting for investment contracts without discretionary participation features (as defined under UK GAAP) and accordingly present the reinsured liabilities within 'investments', contributing £243m (2021: £424m) to the difference for PAC and £1,587m (2021: £1,783m) to the difference for PPL.

## D Valuation for solvency purposes (continued)

### D.2 Technical provisions (continued)

The most significant Solvency II reinsurance recoverable of £1,532m (2021: £1,728m) for the Group relates to PPL's reinsurance arrangement with BlackRock reported within 'index-linked and unit-linked insurance' in the table above.

#### D.2.2 Solvency II Technical Provisions methodology and assumptions

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

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

- Economic assumptions, most of which are published by the PRA and set by reference to market data at the valuation date;
- Non-economic assumptions, used to derive non-market related BEL cash flows (for example future claims and expenses); and
- Assumptions in respect of dynamic management actions and policyholder behaviour.

##### D.2.2.1 Economic assumptions

The principal economic assumption is the risk-free interest rate term structure. The risk-free curves at which BEL cash flows are discounted are specified by the PRA. The PRA transitioned the GBP Solvency II risk-free rates from referencing LIBOR swap rates to referencing Overnight Indexed Swap rates on 31 July 2021. These curves are based on market swap rates adjusted for credit risk, where relevant. The resulting 10-year risk-free spot rates for the material currencies are given below:

Figure 63: 10 year risk-free rates

Currency	As at 31 December	
	2022	2021
British pound	3.71 %	0.95 %
Euro	3.09 %	0.21 %
United States Dollar	3.75 %	1.50 %

For most non-profit annuity business, a matching adjustment is applied to the risk-free curve to discount the BEL cash flows (see Section D.2.4.3). In line with Solvency II requirements, the matching adjustment is not applied when calculating the risk margin. The net matching adjustment for the shareholder non-profit annuities as at 31 December 2022 was 176 basis points (bps) per annum (2021: 106bps). The equivalent net matching adjustment for the non-profit annuities in the With-Profits Fund as at 31 December 2022 was 153bps per annum (2021: 94bps). The matching adjustment does not apply to reinsurance.

##### D.2.2.2 Non-economic assumptions

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

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

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

#### D.2.3.1 Participating business

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

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

The key assumptions in determining the excess of projected expenses over charges are persistency, renewal expenses and investment management expenses.

Persistency assumptions, namely surrenders, transfers, retirements and paid-up rates, are based on average experience over the last three calendar years, supplemented by expert judgement from SMEs across the business to incorporate up to date views on the product propositions, the external market environment and any other factors that may mean that recent experience is not a good guide to likely long-term future experience. A similar approach is taken to setting the take-up rates associated with guaranteed options; the expert judgement applied also considers the nature of the guarantee and how a rational policyholder may behave.

The expense reserves are based on forecast renewal expenses in the year following the valuation date, adjusted to remove any expense savings which are not underpinned by robust delivery plans. The forecast renewal expenses are combined with the projected volume of in-force policies to produce per policy unit costs.

The per policy unit costs are inflated over the projected duration of the business using a combination of salary inflation and consumer price inflation, in addition an uplift is applied to reflect the additional costs expected to be incurred at a policy level as policy counts reduce in future and unit costs therefore increase as a proportion of the fixed expense base. The uplift is not applied to third party costs, which are fixed during the contract term and it is assumed that, at the end of the existing contract term, management would act to ensure that the business is administered at an equivalent cost.

Investment management expenses are expense cashflows in addition to renewal expenses and are held against the fees expected to be paid to asset managers on the assets backing technical provisions. All fees relating to the management of the funds backing the liabilities are identified and then expressed as a proportion of the liabilities.

## 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. Certain contracts written in the With-Profits Fund give potentially valuable guarantees to policyholders, or options to change policy benefits which can be exercised at the policyholders' discretion.

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

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

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

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

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

Under Solvency II, future discretionary benefits are defined as future benefits, other than index-linked or unit-linked benefits, which have one of the following characteristics;

- a. the benefits are legally or contractually based on one or more of the following:
  - i. the performance of a specified group of contracts or a specified type of contract or single contract,
  - i. the realised or unrealised investment return on a specified pool of assets held by the company,
  - ii. the profit or loss of the company corresponding to the contract.
- b. the benefits are based on a declaration by the company and the amounts or the timing of the benefits is at its full or partial discretion.

Under this definition, future bonuses yet to be added (and not yet guaranteed) in relation to with-profits business are classified as 'future discretionary benefits'. In line with Solvency II requirements, future discretionary benefits (and hence technical provisions), exclude payments representing Surplus Funds as explicitly defined by the PRA (see section E.1.3).

Miscellaneous surplus has arisen from various sources in the With-Profits Fund, including the non-profit annuity business. As this surplus has arisen it has, in line with the Principles and Practices of Financial Management (PPFM), been allocated to with-profits policyholders. At the valuation date, some, but not all, of this surplus has been allocated to individual policyholders' asset shares. The liability to policyholders could therefore change in the future, but it has been assessed to persist in all but the most extreme adverse circumstances. Hence, the full value of the historic surpluses allocated to with-profits policyholders is included within the technical provisions and therefore excluded from the Company's Surplus Funds in accordance with the PRAs Surplus Funds 3. The amount included in BEL in respect of future enhancement to asset share in respect of miscellaneous surplus, including non-profit annuity business, at YE 2022 was £777m (2021: £857m).

Consistent with Solvency II requirements, the present value of future profits is excluded from the BEL for the WPSF. The effect of shareholder transfers is captured through the ring-fenced fund restriction to Solvency II own funds. However, the liability in respect of the future tax payable on these shareholder transfers, which is charged to the estate, is included in the BEL. The tax obligation is crystallised when shareholder transfers, which depend on the declaration of policyholder bonuses, are paid. Therefore the tax payment is considered to be required in order to settle the insurance obligation, and as such is included within BEL. The amount included in BEL in respect of future tax payable on shareholder transfers at YE 2022 was £907m (2021: £752m).

## D Valuation for solvency purposes (continued)

### D.2 Technical provisions (continued)

Best estimate liabilities include an allowance for policyholder tax payments which are, or expected to be, charged to the BLAGAB policyholders asset shares. The estimated policyholder tax is calculated using the BLAGAB proportion of the actual and projected investment returns net of expenses. The tax calculated, either by a charge to the asset shares or implicitly within the modelled cashflows, can be positive or negative as it is assumed that any losses can be offset against future profits.

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

Whilst PAC believed it met the requirements of the Financial Services Authority (FSA) (the UK insurance regulator at the time) to issue offers of redress to all impacted customers by 30 June 2002, there is a population of customers who, whilst an attempt was made at the time, to invite them to participate in the review, may not have received their invitation. These customers are being re-engaged to ensure that they have the opportunity to take part in the review. The provision also covers this population. As at 31 December 2022, the pension mis-selling reserve included within the BEL for M&G plc and PAC was £226m (2021: £296m).

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

#### D.2.3.2 Non-profit annuity business

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

##### Annuitant mortality (longevity) assumptions

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

The assumptions used reference recent England & Wales population mortality data consistent with the CMI mortality improvements model, with specific risk factors applied on a per policy basis to reflect the features of the Group's portfolio.

An increase in mortality rates was observed over 2020 and 2021 due to the COVID-19 pandemic. Higher mortality experience may be expected to continue to some extent over the short-term, with significant excess deaths observed in the population over 2022. However, there is significant uncertainty and the longer-term implications for mortality rates amongst the annuitant population are unknown at this stage. In line with broader industry approach, zero weight has been given to pandemic experience. This is an area that will continue to be monitored by the Group.

For current mortality, while no weight has been given to the most recent years of experience, the Group's longevity assumptions have been updated to reflect enhancements made to aspects of the underlying data and the corresponding modelling approach. This has resulted in a small weakening.

The mortality improvements observed in recent population data have been considered as part of the judgement exercised in setting the mortality basis for 2022. New mortality projection models are released annually by the Continuous Mortality Investigation (CMI). The CMI tables used are adjusted as appropriate each year to reflect anticipated mortality improvements.

An external panel process with a range of experts from different disciplines (such as Public Health & Social Policy, General Practice and Oncology) was undertaken in 2022 which formed part of a review of the drivers of future mortality improvements. Enhancements were also made to the approach to determining how the Group's own portfolio experience could differ from the population as whole. Combining these resulted in more pessimism (i.e. lower levels of future improvements) than the previous year and resulted in a release of reserves. The 2022 basis is expressed in terms of CMI 2020 in comparison to the 2021 basis, which was expressed relative to CMI 2019. The mortality improvement assumptions used are summarised in the table below, with other assumptions reflecting the core CMI projection.

Period ended	Model version i, iii	Long-term improvement rate	Smoothing parameter (Sk) ii
<b>December 31, 2022</b>	CMI 2020	For males: 1.60% For females: 1.60%	For males: 7.25 For females: 7.75
December 31, 2021	CMI 2019	For males: 1.75% For females: 1.50%	For males: 7.50 For females: 8.00

i An 'A' parameter in the model to reflect socio-economic differences between the portfolio and population experience is also used. This adjusts initial mortality improvement rates and was 0.45% at 31 December 2021. Under the revised methodology, this parameter varies by age and gender and is reduced at all ages relative to 31 December 2021.

ii The smoothing parameter controls the amount of smoothing by calendar year when determining the level of initial mortality improvements.

iii The tapering of improvements to zero is set to occur between ages 90-110 at 31 December 2022, which is a change from 85 - 110 at 31 December 2021.

## D Valuation for solvency purposes (continued)

### D.2 Technical provisions (continued)

#### Expenses

The expense reserves are based on forecast renewal expenses in the year following the valuation date, adjusted to remove any expense savings which are not underpinned by robust delivery plans. The forecast renewal expenses are combined with the projected volume of in-force policies to produce per policy unit costs.

The per policy unit costs are inflated over the projected duration of the business using a combination of salary inflation and consumer price inflation, in addition an uplift is applied to reflect the additional costs expected to be incurred at a policy level as policy counts reduce in future and unit costs therefore increase as a proportion of the fixed expense base. The uplift is not applied to third party costs, which are fixed during the contract term and it is assumed that, at the end of the existing contract term, management would act to ensure that the business is administered at equivalent cost.

Investment management expenses are expense cashflows in addition to renewal expenses and are held against the fees expected to be paid to asset managers on the assets backing technical provisions. All fees relating to the management of the funds backing the liabilities are identified and then expressed as a proportion of the liabilities.

#### D.2.3.3 Unit-linked business

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

On 7 December 2017 the PRA issued feedback to life insurers expressing a preference for each component of the unit-linked technical provisions liabilities to be disclosed separately on the Solvency II Balance Sheet. Since this change was not mandated the Group has continued to present the total unit-linked technical provisions across the best estimate liabilities and risk margins, in line with previous years. Given the change is presentational only, it has no impact on the measurement of own funds or technical provisions.

Contract boundaries are applied to pure unit-linked business, with such policies assumed to be paid-up with effect from the valuation date, and are valued using paid-up rather than premium-paying renewal expense assumptions. Other unit-linked contracts, with rider benefits attached, do not require contract boundaries to be applied prior to the maturity date as they provide insurance benefits and although premiums and charges can be amended, there are scenarios where the amount of benefits and expenses will exceed the premiums.

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

#### D.2.3.4 Other business

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

### D.2.4 Long-term guarantee measures on technical provisions

#### D.2.4.1 Transitional measures

The Group's technical provisions as at 31 December 2022 include an allowance for TMTP, in accordance with the Solvency II Directive. The TMTP is unaudited. The impact of these transitional measures is to increase the Solvency II surplus of M&G plc and PAC by £873m (2021: £1,373m) and PPL by £7m (2021: £8m). 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.

A key judgement in the calculation of the TMTP is in relation to the Solvency I ICA capital. The calculation of ICA capital has not been maintained and the ICA capital is estimated for the purposes of the TMTP calculation by scaling the ICA capital at transition date in line with the change in the Solvency II capital over the period. Adjustments are made in the case that scaling Solvency II capital requirements is not considered to appropriately reflect the expected impact on Solvency I capital requirements.

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

The PAC TMTP was recalculated as at 30 June 2022. This recalculation, which required PRA approval, was driven by the substantial rise in interest rates since 31 December 2021, which significantly reduced the risk margin. The PPL TMTP was not similarly recalculated, as the relevant trigger thresholds defined in the recalculation framework were not breached, and so was last recalculated as at 31 December 2021.

The technical provisions as at 31 December 2022 and 31 December 2021 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 2022 or 31 December 2021.

## **D Valuation for solvency purposes (continued)**

### **D.2 Technical provisions (continued)**

#### **D.2.4.3 Matching adjustment**

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

Credit ratings are normally based on the second highest among three External Credit Assessment Institutions (ECAIs) where available. If only one external rating is available for an asset, that rating is normally used. This approach allows for a balanced external credit view, recognising that the ratings assigned by ECAIs can differ from one another. The "internal" ratings from M&G Group, assigned to virtually all of the fixed income assets that it manages, are set in line with their internal credit rating framework and are mainly used for PAC assets that are not publicly externally rated, such as private assets. Furthermore, the option exists for the internal rating to be used instead of the second highest external rating, where the internal rating has been deemed more prudent. Where assets that do not have an external rating are eligible for inclusion in the matching adjustment portfolio, they are assigned a fundamental spread in line with the Company's fundamental spread mapping policy, which considers the M&G Group rating of these assets. .

Separate portfolios of assets are held for the Group's With-Profits Fund-backed and shareholder-backed non-profit annuities (see D.2.2.1 for details of the matching adjustment). The matching adjustment is applied where the liabilities and the assets in the Matching Adjustment portfolios meet the eligibility criteria on an ongoing basis. The obligations held within the Matching Adjustment portfolios reflect both index-linked and non-linked, sterling denominated, individual and bulk-purchase annuities. The cashflows from assets allocated to cover the liabilities should closely match the expected liability cashflows. The assets held within the Matching Adjustment portfolios in respect of these obligations cover publicly traded; corporate bonds, index-linked and fixed government bonds, and supranationals, alongside private long-term investments including restructured Equity Release Mortgages

Equity release mortgages are not considered eligible for the matching adjustment due to the uncertainty in the timing of repayment of the mortgages. Some of these assets have therefore been restructured into assets eligible for the matching adjustment, both at the PAC and M&G plc Group consolidated level. A special purpose vehicle (SPV), Prudential Equity Release Mortgages (PERM) was set up and purchased equity release mortgages in exchange for four tranches of fixed senior notes, with the residual balance of payments remaining as equity in a junior note. The senior notes are eligible for the matching adjustment and some are held inside the portfolio of assets backing shareholder-backed non-profit annuities. The junior note is not eligible for the matching adjustment.

The equity release mortgage assets that have been restructured in this way do not meet the IFRS de-recognition criteria and are therefore measured on the Solvency II balance sheet assuming that the internal securitisation has not occurred.



## D Valuation for solvency purposes (continued)

### D.2 Technical provisions (continued)

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

The impact of the TMTP, which is unaudited, and the matching adjustment on the Solvency II results as at 31 December 2022 are shown in the tables below:

#### M&G plc

Figure 64: M&G plc - Impact on Solvency II results of excluding TMTP and the MA

	As at 31 December							
	2022				2021			
	As reported in QRTs £m	Impact of removing TMTP £m	Impact of removing MA £m	Total excluding TMTP and MA £m	As reported in QRTs £m	Impact of removing TMTP £m	Impact of removing MA £m	Total excluding TMTP and MA £m
<b>Technical Provisions</b>	<b>140,078</b>	<b>1,539</b>	<b>2,261</b>	<b>143,878</b>	160,689	2,439	2,429	165,557
<b>Basic Own Funds</b>	<b>10,889</b>	<b>(669)</b>	<b>(883)</b>	<b>9,337</b>	14,122	(1,047)	(907)	12,168
<b>Own Funds eligible to cover</b>								
<b>Group SCR</b>	<b>11,982</b>	<b>(744)</b>	<b>(808)</b>	<b>10,430</b>	15,257	(1,047)	(907)	13,303
<b>SCR</b>	<b>7,141</b>	<b>203</b>	<b>3,063</b>	<b>10,407</b>	9,085	338	3,707	13,130
<b>Solvency ratio (regulatory view)</b>	<b>168%</b>	<b>(41)%</b>	<b>(26)%</b>	<b>100%</b>	168%	(42)%	(24)%	101%
<b>Own Funds eligible to cover Group</b>								
<b>MCR</b>	<b>7,670</b>	<b>(861)</b>	<b>(1,119)</b>	<b>5,690</b>	10,734	(1,031)	(722)	8,981
<b>MCR</b>	<b>1,631</b>	<b>51</b>	<b>765</b>	<b>2,447</b>	2,148	84	927	3,159

#### PAC

Figure 65: PAC - Impact on Solvency II results of excluding TMTP and the MA

	As at 31 December							
	2022				2021			
	As reported in QRTs £m	Impact of removing TMTP £m	Impact of removing MA £m	Total excluding TMTP and MA £m	As reported in QRTs £m	Impact of removing TMTP £m	Impact of removing MA £m	Total excluding TMTP and MA £m
<b>Technical Provisions</b>	<b>135,822</b>	<b>1,532</b>	<b>2,261</b>	<b>139,615</b>	154,382	2,430	2,429	159,242
<b>Basic Own Funds</b>	<b>9,618</b>	<b>(669)</b>	<b>(883)</b>	<b>8,066</b>	12,161	(1,047)	(907)	10,206
<b>Own Funds eligible to cover SCR</b>	<b>9,618</b>	<b>(669)</b>	<b>(883)</b>	<b>8,066</b>	12,161	(1,047)	(907)	10,206
<b>SCR</b>	<b>6,258</b>	<b>203</b>	<b>3,063</b>	<b>9,524</b>	8,296	338	3,707	12,341
<b>Solvency Ratio</b>	<b>154%</b>	<b>(40)%</b>	<b>(29)%</b>	<b>85%</b>	147%	(39)%	(24)%	83%
<b>Own Funds eligible to cover MCR</b>	<b>9,226</b>	<b>(871)</b>	<b>(1,272)</b>	<b>7,083</b>	12,161	(1,047)	(907)	10,206
<b>MCR</b>	<b>1,565</b>	<b>51</b>	<b>765</b>	<b>2,381</b>	2,074	84	927	3,085

#### PPL

Figure 66: PPL - Impact on Solvency II results of excluding TMTP and the MA

	As at 31 December							
	2022				2021			
	As reported in QRTs £m	Impact of removing TMTP £m	Impact of removing MA £m	Total excluding TMTP and MA £m	As reported in QRTs £m	Impact of removing TMTP £m	Impact of removing MA £m	Total excluding TMTP and MA £m
<b>Technical Provisions</b>	<b>7,313</b>	<b>7</b>	<b>—</b>	<b>7,321</b>	9,913	8	—	9,922
<b>Basic Own Funds</b>	<b>78</b>	<b>(6)</b>	<b>—</b>	<b>72</b>	77	(6)	—	71
<b>Own Funds eligible to cover SCR</b>	<b>78</b>	<b>(6)</b>	<b>—</b>	<b>72</b>	77	(6)	—	71
<b>SCR</b>	<b>34</b>	<b>2</b>	<b>—</b>	<b>36</b>	45	2	—	46
<b>Solvency Ratio</b>	<b>231%</b>	<b>(28)%</b>	<b>—</b>	<b>204%</b>	173%	(20)%	—	153%
<b>Own Funds eligible to cover MCR</b>	<b>78</b>	<b>(6)</b>	<b>—</b>	<b>72</b>	77	(6)	—	71
<b>MCR</b>	<b>15</b>	<b>1</b>	<b>—</b>	<b>16</b>	20	1	—	21

<sup>1</sup> PPL has not applied the matching adjustment as at 31 December 2022 and 31 December 2021.

## D Valuation for solvency purposes (continued)

### D.2 Technical provisions (continued)

#### D.2.5 Assumption changes

Changes to the assumptions used to calculate the Group's technical provisions as at 31 December 2022 are set out below:

- Changes to the matching adjustment allowance to reflect the asset mix and market conditions as at 31 December 2022. This includes revisions to credit ratings over the year.
- Changes to best estimate annuitant longevity assumptions to reflect recent experience (noting zero weight has been given to 2020 and 2021 experience due to COVID-19 in setting base mortality assumptions) and enhancements to data;
- Changes to renewal expense assumptions to reflect forecast expense experience, allowing for planned transformation activity;
- Changes to investment expense assumptions to reflect changes in asset allocation for assets backing with-profits business;
- Changes to persistency assumptions to reflect the results of the most recent experience investigation; and
- Market-driven changes to economic parameters, including changes to risk-free rates as shown in Section D.2.2.1.

The impact of demographic and expense assumption changes on Group shareholder, PAC shareholder, and PPL surplus (net of reinsurance recoverables) at 31 December 2022 and 31 December 2021 is set out below.

For M&G plc and PAC the impact of updating the longevity assumption (including both current annuitant mortality and the rate of future mortality improvements) is the most material of these changes. This is partly offset by the expense and other assumption changes. Further detail on the longevity assumptions change can be found in section D.2.3.2. For PPL the expense assumption update had the largest impact. This was partially offset by a change in the persistency assumptions.

Figure 67: Impact of assumption changes - Group / PAC shareholder

Assumption change	31 December 2022	31 December 2021
	£m	£m
Longevity	213	96
Expense	(36)	(61)
Persistency	12	2
Other	(30)	(20)
<b>Total</b>	<b>158</b>	<b>18</b>

Figure 68: Impact of assumption changes - PPL

Assumption change	31 December 2022	31 December 2021
	£m	£m
Longevity	—	—
Expense	9	11
Persistency	(3)	0
Other	—	—
<b>Total</b>	<b>6</b>	<b>11</b>

#### 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 PAC Board Audit Committee (on behalf of both PAC and PPL) and the Group 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 bases under Solvency II compared to IFRS/UK GAAP

The valuation basis of material classes of other liabilities are described below. The categories reflect the Solvency II descriptions. The statutory accounts amounts allow for presentational changes noted in Figure 54 to allow a like-for-like comparison to the equivalent amounts under Solvency II.

##### D.3.1.1 Provisions other than technical provisions

Provisions other than technical provisions include provisions in respect of the Poland Underpin, New Business Supportability Test (NBST), staff benefits and restructuring. These are described below and the same value is used on a statutory and Solvency II basis.

## D Valuation for solvency purposes (continued)

### D.3 Valuation of other liabilities (continued)

#### IAS 37 Provisions

##### *Poland Underpin*

PAC's With-Profits Sub-Fund Inherited Estate funded the establishment of the Polish branch in 2012. Within the original agreement it was estimated that the Inherited Estate would recoup its share of development costs and any expense over-runs within 12 years of the inception of the Polish branch, from development recovery charges levied solely on the asset shares of Polish branch policyholders. However, in the event the value of development recovery charges recouped is insufficient to cover these costs then at the 12th anniversary, or point of closure of the Polish branch if earlier, the PAC shareholder fund would meet the shortfall. For the purposes of the valuation a provision was therefore established in both the Solvency II balance sheet and the capital requirement to cover the expected level of this shareholder contribution.

The underpin agreement has been revised in 2022 to extend the expiry date to 31 December 2031 together with additional stipulations to introduce a cap on the value and to prohibit any further extensions.

Prior to 31 December 2022, the underpin was treated as a financial guarantee under IFRS 4 and part of technical provisions under Solvency II. The appropriate accounting treatment has been reassessed and it is considered that the liability in the shareholder fund should be accounted for as a provision under IAS 37. The Solvency II provision is consistent with the IFRS provision. IAS 37 also allows for a reimbursement asset to be recognised when it is virtually certain that the reimbursement will be received if the entity settles the obligation. The reimbursement is to be treated as a separate asset. Whilst it is not virtually certain that the shareholder will have an obligation to settle, it is considered certain that if the shareholder does settle, the With-Profits Sub-Fund fund will receive the payment and so a reimbursement asset should be recognised on the with-profits sub fund balance sheet. The reimbursement asset, consistent with IFRS, is set equivalent to the IAS37 provision under Solvency II. As these are intra-PAC balances, the provision and the reimbursement asset are netted off and eliminated. Under IFRS this results in a net liability in the Unallocated Surplus of the With-Profits Fund. Under Solvency II, the impact arises through an increase in the ring-fenced fund restriction (and so a reduction in Own Funds) equivalent to the value of the reimbursement asset.

##### *New Business Supportability Test*

FCA regulations require that a firm does not write new business in a with-profits fund unless it is reasonably satisfied, and can demonstrate, that doing so is likely to have no adverse effect on existing with-profits policyholders. The New Business Supportability Test (NBST) ensures that new business written in the With-Profits Fund is financially self-supporting or, in the event charges are not sufficient to cover costs, shareholders will make an appropriate contribution to the With-Profits Fund.

As part of the annual Business Planning process, a forecast of the NBST is assessed to check whether the new business expected to be written over the current business year is expected to be financially self-supporting. If it is not expected to be self-supporting a provision is established under IAS 37 and the treatment under IFRS and Solvency II, including the reimbursement asset, is in line with that set out for the Poland Underpin. A final assessment of the NBST for the year is carried out once sales and expenses are finalised to confirm whether a shareholder contribution is required.

#### Other

##### *Staff benefits*

Staff benefits apply to M&G plc only and primarily relate to performance related bonuses estimated for the current year to be paid out in future years.

##### *Restructuring and demerger*

Included in M&G plc's provisions is £10m as at 31 December 2022 (2021: £36m) related to change in control costs arising from the Demerger in 2019 from Prudential plc. An additional £1m (2021: £1m) of restructuring provisions are held in relation to redundancy costs.

#### D.3.1.2 Pension benefit obligations

##### *M&G plc, PAC*

##### *i) Background*

The Group operates three defined benefit pension schemes. The largest defined benefit scheme as at 31 December 2022 is the Prudential Staff Pension Scheme (PSPS), which accounts for 82% (2021: 80%) 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 MGG (M&GGPS) and Scottish Amicable (SASPS) businesses prior to their acquisition.

As at 31 December 2022, any surplus or deficit in the Schemes is apportioned as follows:

- PSPS is attributable 70% to the With-Profits Fund in PAC and 30% to the Group's shareholders via the subsidiary M&G Corporate Services Limited (70% to PAC).
- SASPS is attributable 40% to the PAC With-Profits Fund, and 60% to PAC's shareholder fund and therefore the Group's shareholders (100% to PAC).
- M&GGPS is 100% attributable to the Group's shareholders (0% to PAC).

These proportions may change in future years.

PPL does not have any obligations in respect of defined benefit pension schemes.

## D Valuation for solvency purposes (continued)

### D.3 Valuation of other liabilities (continued)

#### ii) Valuation and approach

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

Figure 69: Valuations of pension schemes

	As at 31 December							
	M&G plc				PAC			
	2022		2021		2022		2021	
	Solvency II	IFRS	Solvency II	IFRS	Solvency II	UK GAAP	Solvency II	UK GAAP
	£m	£m	£m	£m	£m	£m	£m	£m
PSPS	10	10	38	38	7	7	27	27
SASPS	16	16	(50)	(50)	16	16	(49)	(49)
M&GGPS	—	129	—	(34)	—	—	—	—
<b>Total</b>	<b>26</b>	<b>155</b>	<b>(12)</b>	<b>(46)</b>	<b>23</b>	<b>23</b>	<b>(22)</b>	<b>(22)</b>

On a statutory accounts basis pension benefit obligations for defined benefit schemes are valued using the relevant valuation rules. A surplus can only be recognised to the extent that it can be accessed either through an unconditional right of refund or through reduced future contributions relating to ongoing service of active members.

Neither M&G plc nor PAC has an unconditional right of refund to any surplus in PSPS. Accordingly, PSPS's net economic surplus is restricted up to the 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, PAC and therefore M&G plc is able to access the surplus of SASPS through an unconditional right of refund. Similarly M&G plc is able to access the surplus in M&GGPS through an unconditional right of refund. Therefore, the surplus resulting from the schemes (if any) would be recognised in full. As at 31 December 2022, the PSPS, SASPS and M&GGPS schemes are in surplus based on the statutory accounts valuation. The Solvency II balance sheet value of the PSPS and SASPS schemes is set equal to the statutory accounts carrying value.

On a statutory basis insurance policies issued by a related party do not qualify as plan assets and are shown separately from the statutory position. As at 31 December 2021, M&GGPS had investments of £206m in insurance policies issued by PPL through which it invested in certain pooled funds, and therefore were excluded from the statutory valuation shown above. Therefore, while M&GGPS was in surplus on an economic basis at 31 December 2021, the elimination of the insurance policies meant that it was in deficit on a statutory basis in the Group's IFRS consolidated statement of financial position. However, during 2022 the scheme disinvested these holdings and the elimination no longer applies at 31 December 2022.

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

#### iii) Methodology and assumptions

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

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

Figure 70: Pension scheme actuarial economic assumptions

	As at 31 December					
	2022			2021		
	PSPS	SASPS	M&GGPS	PSPS	SASPS	M&GGPS
Discount rate <sup>1</sup>	4.9 %	4.8 %	4.8 %	1.8 %	1.8 %	1.8 %
Salary inflation <sup>2</sup>	4.0 %	3.2 %	3.2 %	3.6 %	3.4 %	3.3 %
Retail Prices Index (RPI)	3.3 %	3.2 %	3.2 %	3.6 %	3.4 %	3.3 %
Consumer Prices Index (CPI)	3.0 %	3.0 %	3.0 %	3.1 %	3.1 %	2.9 %
<b>Rate of increase of pensions in payment for inflation<sup>3</sup></b>						
CPI (maximum 5%) <sup>4</sup>	3.0 %	n/a	n/a	3.1 %	n/a	n/a
CPI (maximum 2.5%) <sup>4</sup>	2.5 %	n/a	n/a	2.5 %	n/a	n/a
Discretionary <sup>4</sup>	2.5 %	n/a	n/a	2.5 %	n/a	n/a
RPI (maximum 5%)	n/a	3.2 %	2.9 %	n/a	3.4 %	3.3 %
RPI (maximum 2.5%)	n/a	2.5 %	2.5 %	n/a	2.5 %	2.5 %

<sup>1</sup> 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. For the valuation as at 31 December 2022, a full yield curve has been used. An equivalent single point assumption is shown to facilitate comparison period on period.

<sup>2</sup> Due to scheme changes during 2019, the pensionable salary used to determine scheme benefits was frozen at the 30 September 2019 levels for most members.

<sup>3</sup> 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. Similarly to the discount rate, for the valuation as at 31 December 2022 a full inflation curve has been used with a single point estimate shown in the table for comparative purposes.

<sup>4</sup> Certain tranches of scheme benefits within PSPS have statutory pension increases in line with the higher of CPI up to a maximum level, or a discretionary level determined by the employer. Other tranches are not guaranteed and determined by the employer on a discretionary basis.

## D Valuation for solvency purposes (continued)

### D.3 Valuation of other liabilities (continued)

#### Post retirement mortality

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

Figure 71: Pension scheme post retirement mortality assumptions

As at 31 December	Scheme	Mortality improvements model <sup>1</sup>	Expectation of life from retirement at aged 60			
			Male currently aged 60	Male currently aged 40	Female currently aged 60	Female currently aged 40
2022	PSPS	CMI 2020	26.7	29.1	28.4	30.6
	SASPS	CMI 2020	27.5	29.7	30.0	32.1
	M&GGPS	CMI 2020	28.4	30.5	30.2	32.3
2021	PSPS	CMI 2019	26.9	29.1	28.4	30.3
	SASPS	CMI 2019	27.9	30	30.1	31.9
	M&GGPS	CMI 2019	29.1	31.1	30.6	32.3

<sup>1</sup>The mortality assumptions are adjusted to make allowance for future improvements in longevity. As at 31 December 2022, this allowance was based on the CMI 2020 mortality improvements model with improvement factors of 1.60% for males and females.

Further information on the assumptions used in the valuation, and the sensitivity of the valuation to those assumptions, can be found in Note 17 of the M&G plc 2022 Annual Report and Accounts.

#### iv) Significant changes in the schemes during 2022

There were no significant changes to the schemes during 2022.

#### v) Underlying investments of the schemes

The assets of each scheme, including the underlying assets represented by the investments in Group insurance policies, as at 31 December 2022 comprise the following investments:

### M&G plc

Figure 72: M&G plc - Scheme assets

	As at 31 December				2021 Total £m
	PSPS £m	Other £m	Total £m	%	
<b>Equities:</b>					
UK	47	1	48	1	55
Overseas	8	70	78	1	67
<b>Bonds:</b>					
Government	3,188	848	4,036	71	5,507
Corporate	1,165	4	1,169	21	2,389
Asset-backed securities	346	66	412	7	417
Derivatives <sup>i</sup>	(552)	(168)	(720)	(12)	72
Properties	263	138	401	7	330
Other assets	176	65	241	4	304
<b>Total value of assets</b>	<b>4,641</b>	<b>1,024</b>	<b>5,665</b>	<b>100</b>	<b>9,141</b>

<sup>i</sup> Included within derivatives is a £10m liability in respect of a longevity swap transaction with Pacific Life Re Limited (2021: £11m).

## D Valuation for solvency purposes (continued)

### D.3 Valuation of other liabilities (continued)

#### PAC

Figure 73: PAC - Scheme assets

	As at 31 December				2021 Total £m
	2022		Total £m	%	
	PSPS £m	SASPS £m			
<b>Equities:</b>					
UK	47	—	47	1	48
Overseas	8	70	78	1	28
<b>Bonds:</b>					
Government	3,188	522	3,710	71	5,054
Corporate	1,165	—	1,165	22	2,286
Asset-backed securities	346	—	346	7	392
Derivatives <sup>1</sup>	(552)	(168)	(720)	(14)	50
Properties	263	136	399	8	288
Other assets	176	21	197	4	244
<b>Total value of assets</b>	<b>4,641</b>	<b>581</b>	<b>5,222</b>	<b>100</b>	<b>8,390</b>

<sup>1</sup> See notes below Figure 72.

#### D.3.1.3 Deferred Tax Liabilities

##### M&G plc, PAC, PPL

On an IFRS basis a deferred tax liability (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 M&G plc DTL, net of DTA, as at 31 December 2022 had a Solvency II value of £107m (2021: £1,081m) and an IFRS value of £129m (2021: £1,038m), principally relating to unrealised gains on investments. Tax on these gains will mainly fall due when the underlying assets are sold.

UK GAAP follows similar principles to IFRS. The PAC DTL, net of DTA, as at 31 December 2022 had a Solvency II value of £71m (2021: £970m) and a UK GAAP value of £12m (2021: £960m). This principally relates to unrealised gains on investments for the DTL. Tax on these gains will mainly fall due when the underlying assets are sold. During 2022 the DTL fell due to adverse market conditions, which reduced the value of the underlying assets. This is offset by the DTA, which is largely made up of unutilised tax losses.

PPL reported deferred tax liabilities of £1.0m under Solvency II (£0.0m under UK GAAP) at 31 December 2022.

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

#### D.3.1.4 Derivative Liabilities

##### M&G plc, PAC

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

#### D.3.1.5 Financial liabilities other than debts owed to credit institutions

##### M&G plc, PAC

Financial liabilities other than debts owed to credit institutions primarily relate to loans. These liabilities are fair valued on the Solvency II balance sheet using alternative valuation methods as described in Section D.1.1 and are at cost on a statutory accounts basis, with the following differences between the values for each entity. The statutory accounts show a higher value than under Solvency II.

- M&G plc: £51m (2021: £54m)
- PAC: £3m (2021: £56m)

## D Valuation for solvency purposes (continued)

### D.3 Valuation of other liabilities (continued)

#### D.3.1.6 Other liabilities - overview

##### M&G plc, PAC, PPL

The table below shows the composition of the Solvency II 'other liabilities' shown in Figure 54.

##### M&G plc

Figure 74: M&G plc - Other liabilities

	As at 31 December					
	2022			2021		
	Solvency II	IFRS <sup>1</sup>	Valuation difference	Solvency II	IFRS <sup>1</sup>	Valuation difference
	£m	£m	£m	£m	£m	£m
Debts owed to credit institutions	2,261	2,261	—	2,882	2,882	—
Deposits from reinsurers	146	146	—	298	298	—
Insurance & intermediaries payables	1,017	1,017	—	898	898	—
Payables (trade, not insurance)	4,512	4,548	(36)	3,849	3,849	—
Reinsurance payables	52	52	—	46	46	—
Subordinated liabilities	2,998	3,772	(774)	3,728	3,748	20
Any other liabilities, not elsewhere shown	—	—	—	—	—	—
<b>Total of 'Other liabilities'</b>	<b>10,986</b>	<b>11,796</b>	<b>(810)</b>	<b>11,701</b>	<b>11,721</b>	<b>20</b>

<sup>1</sup>The IFRS figures are shown after the presentational changes shown in Figure 54 to align them with the Solvency II liability headings.

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

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

Payables includes lease liabilities of £420m (2021: £413m) which are described in more detail in Section D.3.1.8.

Subordinated liabilities are described below.

##### PAC

Figure 75: PAC - Other liabilities

	As at 31 December					
	2022			2021		
	Solvency II	UK GAAP	Valuation difference	Solvency II	UK GAAP	Valuation difference
	£m	£m	£m	£m	£m	£m
Insurance & intermediaries payables	902	902	—	781	841	(60)
Payables (trade, not insurance)	4,941	4,941	—	4,109	4,534	(425)
Reinsurance payables	51	51	—	44	44	—
Current tax liabilities	—	—	—	—	—	—
Other liabilities	146	183	(37)	298	559	(261)
<b>Total of 'Other liabilities'</b>	<b>6,040</b>	<b>6,077</b>	<b>(37)</b>	<b>5,232</b>	<b>5,978</b>	<b>(746)</b>

<sup>1</sup>The UK GAAP figures are shown after the presentational changes shown in Figure 55 to align them with the Solvency II liability headings.

##### PPL

Other liabilities include reinsurance payables, payables (trade, not insurance), and other liabilities not shown elsewhere. There are no material valuation differences between the 2022 Solvency II position and the 2022 financial statements in respect of other liabilities.

#### D.3.1.7 Subordinated liabilities

##### M&G plc

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

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

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

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

## D Valuation for solvency purposes (continued)

### D.3 Valuation of other liabilities (continued)

M&G plc'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 M&G plc's own credit standing, as measured by credit spreads.

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

Figure 76: Subordinated debt instruments

	As at 31 December						
	Principal amount	2022		2021			
		Solvency II value £m	IFRS value inc accrued interest £m	IFRS value £m	Solvency II value £m	IFRS value inc accrued interest £m	IFRS value £m
5.625% sterling fixed rate due 20 October 2051	£750m	693	848	839	846	856	848
6.25% sterling fixed rate due 20 October 2068	£500m	436	610	604	611	612	606
6.50% US dollar fixed rate due 20 October 2048	\$500m	421	472	466	432	428	423
6.34% sterling fixed rate due 19 December 2063	£700m	619	847	845	847	851	849
5.56% sterling fixed rate due 20 July 2055	£600m	537	687	672	684	691	676
3.875% sterling fixed rate due 20 July 2049	£300m	292	308	303	308	310	304
<b>Total subordinated liabilities</b>		<b>2,998</b>	<b>3,772</b>	<b>3,729</b>	3,728	3,748	3,706

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.

PAC and PPL had no subordinated liabilities at 31 December 2022.

#### D.3.1.8 Lease liabilities

##### M&G plc

M&G plc has recognised liabilities of £420m (2021: £413m) in respect of lease liabilities, (primarily related to operating leases over land and buildings utilised as office space) in accordance with IFRS 16 leases on its IFRS consolidated statement of financial position.

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

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

Under Solvency II, the lease liability is updated to be based upon a revised present value of future lease liability payments rather than the IFRS value. The discount rate used is based on the Group's incremental borrowing rate but unlike IFRS, is updated each period to reflect current market conditions, excluding any change in the borrowing rate which reflect changes in the Group's own credit standing in line with the Solvency II regulations.

In PAC and PPL there are no material liabilities recognised on the Solvency II balance sheet arising as a result of operating and finance leasing arrangements. Further information on the leasing arrangements of PAC and PPL are disclosed in Section A.4.2.2.

#### D.3.1.9 Contingent liabilities

##### M&G plc, PAC, PPL

On a statutory accounts basis, contingent liabilities are disclosed but not recognised. For the Solvency II balance sheet, contingent liabilities are required to be recognised where they are material.

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

As at 31 December 2022 and 31 December 2021 there were no material contingent liabilities that were recognised as a liability under Solvency II.

#### D.3.1.10 Debts owed to credit institutions

##### M&G plc, PAC

Debts owed to credit institutions in the UK GAAP financial statements are valued at amortised cost but are valued at fair value for the Solvency II balance sheet. The major component of debt liabilities are over-the-counter derivatives collateral creditors and obligations under securities lending.



## **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 Solvency II surplus.

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

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

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

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

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

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

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

### **D.6 Any other information**

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

## E Capital management

The primary focus of the Group's capital management framework is to maintain financial strength and reward shareholders with attractive returns. This is achieved through actively managing M&G plc's solvency position and the quality of capital held.

When deploying additional capital, the Group prioritises investments in the business that can generate long-term sustainable earnings growth. Any investment will always be measured against the financial attractiveness of capital returns, as well as the Group's Risk Appetite Framework which sets out key trigger points for the management of solvency, liquidity, and dividend volatility.

For details on the Group's capital generation in the period, please see the 'Summary' to this report, as well as sections E.1.4 and E.2.3.

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

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

Under this method, the own funds position of M&G plc 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 M&G plc 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 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 M&G plc Group level and for each of its regulated undertakings.

M&G plc 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 to the period ending 31 December 2025.

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

The Group manages its business according to a shareholder view of solvency which is considered to provide a more relevant reflection of capital strength. The M&G plc 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 shareholder view used in the management of the business also reflects a TMTP that has been recalculated based on management's estimate of the impact of operating and market conditions as at the valuation date, which at 31 December 2022 differs from the regulatory approved TMTP. The capital position of each entity is shown in Section E.1.2 below.

Basic, available and eligible own funds to cover the SCR and MCR for each of M&G plc, PAC and PPL as at 31 December 2022 are shown in Section E.1.3 below.

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

#### E.1.2 Group shareholder Solvency II capital position

##### *Reconciliation of Solvency II capital position published in the statutory accounts to the QRTs*

A reconciliation of the Solvency II capital positions disclosed in the statutory financial statements to those disclosed in the 2022 QRTs (S.23.01.22 and S.25.03.22 for M&G plc, S.23.01.01 and S.25.03.21 for PAC and PPL) is shown in the tables below.

##### **M&G plc**

**Figure 77: M&G plc - Reconciliation of the regulatory Solvency II capital position to that disclosed in the QRTs**

	As at 31 December 2022			
	Own funds	SCR	Surplus	Solvency ratio
	£m	£m	£m	%
Group shareholder Solvency II capital position as disclosed in the statutory financial statements <sup>1</sup>	9,269	4,661	4,608	199 %
Impact of moving to latest regulatory approved TMTP	179	-54	233	6 %
Impact <sup>2</sup> of including With-Profits Fund capital position <sup>2</sup>	9,232	2,534	6,698	57 %
Ring-fenced funds consolidation of own funds limited to SCR balances	(6,698)	—	(6,698)	(94)%
<b>Group regulatory Solvency II capital position as disclosed in templates S.23.01.22 and S.25.03.22</b>	<b>11,982</b>	<b>7,141</b>	<b>4,841</b>	<b>168 %</b>

<sup>1</sup> The figures in the M&G plc 2022 Annual Report and Accounts were disclosed in £bn.

<sup>2</sup> The With-Profits Fund capital position shown above reflects own funds and SCR calculated using the latest approved regulatory TMTP rather than the TMTP recalculated reflecting management's estimate of operating and market conditions as at 31 December 2022, which was disclosed in the statutory financial statements.

## E Capital management (continued)

### E.1 Own funds (continued)

#### PAC

Figure 78: PAC - Reconciliation of the regulatory Solvency II capital position to that disclosed in the QRTs

	As at 31 December 2022			
	Own funds	SCR	Surplus	Solvency ratio
	£m	£m	£m	%
PAC shareholder Solvency II capital position as disclosed in the statutory financial statements	6,905	3,778	3,127	183 %
Impact of moving to latest regulatory approved TMTP	179	(54)	233	7 %
Impact of including With-Profits Fund capital position <sup>2</sup>	9,232	2,534	6,698	71 %
Ring-fenced funds consolidation of own funds limited to SCR balances	(6,698)	—	(6,698)	(107)%
<b>PAC regulatory Solvency II capital position as disclosed in templates S.23.01.01 and S.25.03.21</b>	<b>9,618</b>	<b>6,258</b>	<b>3,360</b>	<b>154 %</b>

<sup>2</sup> See notes below Figure 77.

#### PPL

Figure 79: PPL - Reconciliation of the regulatory Solvency II capital position to that disclosed in the QRTs

	As at 31 December 2022			
	Own funds	SCR	Surplus	Solvency ratio
	£m	£m	£m	%
PPL shareholder Solvency II capital position as disclosed in the statutory financial statements	76	34	42	224 %
Impact of moving to latest regulatory approved TMTP	2	—	2	7 %
<b>PPL regulatory Solvency II capital position as disclosed in templates S.23.01.01 and S.25.03.21</b>	<b>78</b>	<b>34</b>	<b>44</b>	<b>231 %</b>

#### E.1.3 Analysis of the components of own funds

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

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

These characteristics are described below:

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

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

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

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

## E Capital management (continued)

### E.1 Own funds (continued)

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 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% of the SCR may be covered by Tier 3.
- At least 80% of the 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 MCR. This in effect means that Tier 2 basic own funds are eligible as long as they cover no more than 20% of the MCR.

The tables below show the components that make up the basic, available and eligible own funds amounts as at 31 December 2022. Items suffixed with (a) to (f) are discussed in further detail on the next page. The shareholder capital position disclosed in the Annual report and Accounts reflects eligible Own Funds (at 31 December 2022 and 31 December 2021 this is equivalent to available Own Funds).

#### M&G plc

Figure 80: M&G plc - Analysis of components of own funds at 31 December 2022 and 31 December 2021

	As at 31 December					Total 2021 £m
	Total 2022 £m	Tier 1 unrestricted £m	Tier 1 restricted £m	Tier 2 £m	Tier 3 <sup>(f)</sup> £m	
Ordinary share capital including share premium <sup>(a)</sup>	489	489	—	—	—	500
Surplus funds <sup>(b)</sup>	9,677	9,677	—	—	—	12,336
Reconciliation reserve <sup>(c)</sup>	(1,729)	(1,729)	—	—	—	(1,396)
Subordinated liabilities <sup>(d) 1</sup>	2,998	—	—	2,998	—	3,728
Net deferred tax assets	547	—	—	—	547	89
Deductions for participations in credit institutions, investment firms and financial institutions	(1,093)	(1,093)	—	—	—	(1,135)
<b>Total eligible own funds to meet the Group MCR</b>	<b>7,670</b>	<b>7,344</b>	<b>—</b>	<b>326</b>	<b>—</b>	<b>10,734</b>
Total eligible own funds to meet the Group SCR (excluding other financial sectors)	10,889	7,344	—	2,998	547	14,122
Participations in credit institutions, investment firms and financial institutions <sup>(e)</sup>	1,093	1,093	—	—	—	1,135
<b>Total eligible own funds to meet the Group SCR (including other financial sectors)</b>	<b>11,982</b>	<b>8,437</b>	<b>—</b>	<b>2,998</b>	<b>547</b>	<b>15,257</b>

<sup>1</sup> Of the £2,998m of Tier 2 capital only £326m (20% of the MCR), is eligible to meet the MCR.

#### PAC

Figure 81: PAC - Analysis of components of own funds at 31 December 2022 and 31 December 2021

	As at 31 December PAC					Total 2021 £m
	Total 2022 £m	Tier 1 unrestricted £m	Tier 1 restricted £m	Tier 2 £m	Tier 3 <sup>(f)</sup> £m	
Ordinary share capital <sup>(a)</sup>	330	330	—	—	—	330
Surplus funds <sup>(b)</sup>	9,677	9,677	—	—	—	12,336
Reconciliation reserve <sup>(c)</sup>	(781)	(781)	—	—	—	(504)
Net deferred tax assets	392	—	—	—	392	—
Total eligible own funds to meet the the MCR <sup>1</sup>	9,618	9,226	—	—	392	12,161
Total eligible own funds to meet the SCR <sup>1</sup>	9,618	9,226	—	—	392	12,161

<sup>1</sup> The insurance subsidiary PAC has no ancillary own funds and hence their basic own funds are equal to the total available own funds. The eligible own funds are derived by applying Solvency II tiering limits to the tiered available own funds.

## E Capital management (continued)

### E.1 Own funds (continued)

#### PPL

Figure 82: PPL - Analysis of components of own funds at 30 June 2022 and 31 December 2021

	As at 31 December		
	PPL		
	Total 2022	Tier 1 unrestricted	Total 2021
	£m	£m	£m
Ordinary share capital <sup>(a)</sup>	6	6	6
Surplus funds <sup>(b)</sup>	0	0	0
Reconciliation reserve <sup>(c)</sup>	72	72	71
<b>Total eligible own funds to meet the the MCR<sup>1</sup></b>	<b>78</b>	<b>78</b>	<b>77</b>
<b>Total eligible own funds to meet the SCR<sup>1</sup></b>	<b>78</b>	<b>78</b>	<b>77</b>

<sup>1</sup> The insurance subsidiary PPL has no ancillary own funds and hence their basic own funds are equal to the total available own funds. The eligible own funds are derived by applying Solvency II tiering limits to the tiered available own funds.

#### M&G plc, PAC and PPL

##### (a) Ordinary share capital (Tier 1 unrestricted capital)

M&G plc's ordinary share capital of £119m, represents the nominal value of 5 pence for each fully paid equity share issued. The difference between the proceeds received on issue of shares, net of issue costs, and the nominal value of shares issued is treated as share premium, £370m.

In March 2022, the Group commenced a share buy-back programme to purchase ordinary shares of 5 pence each up to a maximum consideration of £500m, and the programme concluded on 27 October 2022 for a total consideration, including expenses and stamp duty, of £503m.

PAC's ordinary share capital represents the nominal value of 25 pence for each fully paid equity share issued. PPL's ordinary share capital represents £1 for each fully paid equity share issued.

As the ordinary share capital is available or can be called upon to fully absorb losses it is categorised as Tier 1.

##### (b) Surplus funds (Tier 1 unrestricted capital)

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

In accordance with the own funds templates S.23.01.22 (M&G plc) and S.23.01.01 (PAC and PPL) 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 own funds is lower than that reported on the face of the S.23.01.22 and S.23.01.01 (own funds) templates.

The treatment of surplus assets arisen from miscellaneous sources in the with-profits fund, including the non-profit annuity business, is discussed in section D.2.3.1.

##### (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 83: Analysis of components of the reconciliation reserve

	As at 31 December					
	M&G plc		PAC		PPL	
	2022	2021	2022	2021	2022	2021
	£m	£m	£m	£m	£m	£m
Excess of assets over liabilities	15,810	19,413	16,316	19,938	78	77
<b>Deductions<sup>1</sup></b>	—	—	—	—	—	—
Own shares (held directly and indirectly)	(127)	(108)	—	—	—	—
Foreseeable dividends, distributions and charges	—	—	—	—	—	—
Other basic own fund items	(10,714)	(12,924)	(10,399)	(12,665)	(6)	(6)
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	(6,698)	(7,777)	(6,698)	(7,777)	—	—
Other non-available own funds	—	—	—	—	—	—
<b>Reconciliation reserve</b>	<b>(1,729)</b>	<b>(1,396)</b>	<b>(781)</b>	<b>(504)</b>	<b>72</b>	<b>71</b>

<sup>1</sup> The Own Funds templates S.23.01.22 (M&G plc), and S.23.01.01 (for PAC and PPL) present the deductions as positive numbers.

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

## E Capital management (continued)

### E.1 Own funds (continued)

#### (d) Subordinated liabilities (Tier 2 capital) - M&G plc only

At 31 December 2022, the M&G plc's subordinated liabilities consist of subordinated notes which were transferred from Prudential plc at the time of the Demerger. These subordinated notes issued by M&G plc 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 2022 is described in Figure 84.

Also shown in Figure 84 is the Solvency II valuation of these instruments. The Solvency II valuation of £2,998m as at 31 December 2022 (2021: £3,728m) is based on fair value but excludes the impact arising from changes in own credit standing since initial recognition. The decrease in the value of the subordinated debt since 31 December 2021 primarily reflects a rise in the risk free rate of interest offset by payments of coupons since that time.

Figure 84: Key features of the Group's subordinated notes

	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
<b>Principal amount</b>	<b>£750m</b>	<b>£500m</b>	<b>\$500m</b>	<b>£700m</b>	<b>£600m</b>	<b>£300m</b>
<b>Issue date<sup>1</sup></b>	<b>3 October 2018</b>	<b>3 October 2018</b>	<b>3 October 2018</b>	<b>16 December 2013 (amended 10 June 2019)</b>	<b>9 June 2015 (amended 10 June 2019)</b>	<b>10 July 2019</b>
<b>Maturity date</b>	<b>20 October 2051</b>	<b>20 October 2068</b>	<b>20 October 2048</b>	<b>19 December 2063</b>	<b>20 July 2055</b>	<b>20 July 2049</b>
<b>Callable at par at the option of the Company from</b>	<b>20 October 2031 (and each semi-annual interest payment date thereafter)</b>	<b>20 October 2048 (and each semi-annual interest payment date thereafter)</b>	<b>20 October 2028 (and each semi-annual interest payment date thereafter)</b>	<b>19 December 2043 (and each semi-annual interest payment date thereafter)</b>	<b>20 July 2035 (and each semi-annual interest payment date thereafter)</b>	<b>20 July 2024, 20 July 2029 (and each semi-annual interest payment date thereafter)</b>
<b>Solvency II own funds treatment</b>	<b>Tier 2</b>	<b>Tier 2</b>	<b>Tier 2</b>	<b>Tier 2</b>	<b>Tier 2</b>	<b>Tier 2</b>
<b>Solvency II value at 31 December 2022</b>	<b>693</b>	<b>436</b>	<b>421</b>	<b>619</b>	<b>537</b>	<b>292</b>
Solvency II value at 31 December 2021	£846m	£611m	£432m	£847m	£685m	£308m

<sup>1</sup> 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.

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

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

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

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

M&G plc's group 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 the net DTA as disclosed on the Solvency II balance sheet is required to be treated as Tier 3 capital under the Solvency II regulations. M&G plc has £547m of a net DTA as at 31 December 2022 (2021: £89m), after offsetting DTL, where appropriate. PAC has £392m of a net DTA as at 31 December 2022 (2021: £0m), after offsetting DTL, where appropriate.

### Changes in composition of own funds during 2022

There have been no significant changes in the composition of own funds during 2022 for M&G plc, PAC or PPL.

#### Ancillary own funds

M&G plc, PAC and PPL had no ancillary own funds as at 31 December 2022.

## **E Capital management (continued)**

### **E.1 Own funds (continued)**

#### **E.1.4 Change in own funds for the year ended 31 December 2022**

Figure 85 below and the accompanying commentary provide the reasons for the changes in the components which make up the own funds during 2022. The overall change in Solvency II own funds over the period is analysed as follows:

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

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

## E Capital management (continued)

### E.1 Own funds (continued)

#### M&G plc

Figure 85: M&G plc - Analysis of change in own funds for the year ended 31 December 2022

£m	For the year ended 31 December 2022		
	Shareholder view	With-profits Fund view	Regulatory view
<b>Own funds as at 31 December 2021</b>	<b>11,409</b>	<b>11,625</b>	<b>15,257</b>
<b>Asset Management</b>			
Asset Management	268	—	268
<b>Asset Management underlying own funds generation</b>	<b>268</b>	<b>—</b>	<b>268</b>
<b>Wealth</b>	<b>214</b>	<b>—</b>	<b>214</b>
With-profits	233	—	233
- of which: In-force	187	—	187
- of which: New business	46	—	46
Platform and Advice	(21)	—	(21)
<b>Retail and Savings</b>			
Other	2	—	2
<b>Heritage</b>	<b>339</b>	<b>—</b>	<b>339</b>
With-profits	138	—	138
Shareholder annuity and other	201	—	201
<b>Other Retail and Savings</b>	<b>43</b>	<b>—</b>	<b>43</b>
<b>Retail and Savings underlying own funds generation</b>	<b>596</b>	<b>—</b>	<b>596</b>
<b>Corporate</b>			
Interest & Head Office cost	(267)	—	(267)
<b>Ring-fenced With-Profits Fund</b>	<b>—</b>	<b>495</b>	<b>495</b>
<b>Total Underlying own funds generation</b>	<b>597</b>	<b>495</b>	<b>1,093</b>
<b>Other operating own funds generation</b>	<b>194</b>	<b>(1,572)</b>	<b>(1,378)</b>
Asset management	7	—	7
Retail and Savings	188	—	188
Corporate centre	(1)	—	(1)
Ring-fenced with-profits fund	—	(1,572)	(1,572)
<b>Total operating own funds generation</b>	<b>791</b>	<b>(1,076)</b>	<b>(285)</b>
Market movements	(2,259)	(1,416)	(3,676)
Restructuring	(173)	(146)	(320)
Tax	652	179	831
<b>Total Own Funds Generation from continuing operations</b>	<b>(989)</b>	<b>(2,460)</b>	<b>(3,449)</b>
<b>Own Funds Generation from discontinued operations</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Own Funds Generation</b>	<b>(989)</b>	<b>(2,460)</b>	<b>(3,449)</b>
<b>Dividends &amp; capital movements</b>	<b>(1,151)</b>	<b>—</b>	<b>(1,151)</b>
<b>Change in with-profits ring-fenced funds restrictions<sup>2</sup></b>	<b>—</b>	<b>—</b>	<b>1,146</b>
<b>Total Movement in Own Funds (recalculated transitional measure)</b>	<b>(2,140)</b>	<b>(2,460)</b>	<b>(3,453)</b>
<b>Impact of recalculating transitional measure</b>	<b>179</b>	<b>67</b>	<b>179</b>
<b>Own funds as at 31 December 2022<sup>3</sup></b>	<b>9,448</b>	<b>9,233</b>	<b>11,982</b>

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

<sup>2</sup> The contribution of the With-Profits Fund to Group own funds is limited to that required to cover the fund's capital requirements (see Section E.2). During 2022, the restriction reduced by £1,146m, which reflects a £2,460m fall in the With-Profits Fund's own funds and a £1,314m reduction in the fund's SCR.

<sup>3</sup> Total own funds at 31 December 2022 includes the impact of risk margin and TMTP. These elements are not subject to audit and have not been audited.



## E Capital management (continued)

### E.1 Own funds (continued)

#### Group

The main own funds movements during 2022 were as follows:

#### Shareholder:

- Underlying own funds generation was £597m during 2022. This reflects £268m underlying Own Funds capital generation from the Asset Management business, and £371m from with-profits business, driven by the expected growth in future shareholder transfers, net of hedging, and the impact of new business. There was a further contribution from shareholder annuity and other Retail and Savings business of £244m, due to the expected growth of excess assets and the release of credit reserves. These positive impacts were partially offset by £267m of debt interest and Head Office costs and losses of £21m on Platform and Advice business.
- Other operating items resulted in own funds capital generation of £194m. This includes £171m from management actions, which mainly related to matching adjustment strategy changes of £87m and the own funds impact of the excess surplus distribution of £43m, and beneficial longevity assumption changes of £213m offset by expense assumption changes that reduced own funds by £23m and non-market experience variances of £(142)m.
- Non-operating items reduced own funds by £1,780m. This reflects unfavourable market movements of £2,259m and £173m of restructuring costs, partially offset by a £652m tax benefit driven by the recognition of a deferred tax asset as a result of market losses.
- Dividends and capital movements contributed to a net reduction of £1,151m in own funds, and primarily reflects £465m of external dividends paid to shareholders over the period, the total consideration of £503m in respect of the share buy-back, and investments in responsAbility, Sandringham, TCF, and Moneyfarm.

#### With-Profits Fund:

See PAC With-Profits fund section below in Figure 86.

## E Capital management (continued)

### E.1 Own funds (continued)

#### PAC

Figure 86: PAC - Analysis of change in own funds for the year ended 31 December 2022

	Shareholder	With-Profits Fund	Regulatory
<b>Own funds as at 31 December 2021</b>	<b>8,313</b>	<b>11,625</b>	<b>12,161</b>
<b>Retail and Savings Wealth</b>	<b>232</b>	<b>—</b>	<b>232</b>
With-profits	233	—	233
- of which: In-force	187	—	187
- of which: New business	46	—	46
Platform and Advice	—	—	—
Other	(1)	—	(1)
<b>Heritage</b>	<b>326</b>	<b>—</b>	<b>326</b>
With-profits	138	—	138
Shareholder annuity and other	188	—	188
<b>Other Retail and Savings</b>	<b>43</b>	<b>—</b>	<b>43</b>
<b>Retail and Savings underlying own funds generation</b>	<b>601</b>	<b>—</b>	<b>601</b>
<b>Ring-fenced With-Profits Fund</b>		<b>495</b>	<b>495</b>
<b>Total Underlying own funds generation</b>	<b>601</b>	<b>495</b>	<b>1,096</b>
<b>Other operating own funds generation</b>	<b>181</b>	<b>(1,572)</b>	<b>(1,391)</b>
Retail and Savings	181	—	181
Ring-fenced With-Profits Fund		(1,572)	(1,572)
<b>Total operating own funds generation</b>	<b>782</b>	<b>(1,076)</b>	<b>(295)</b>
Market movements	(2,259)	(1,416)	(3,676)
Restructuring	(37)	(146)	(184)
Tax	607	179	787
<b>Total Own Funds Generation from continuing operations</b>	<b>(908)</b>	<b>(2,460)</b>	<b>(3,368)</b>
<b>Own Funds Generation from discontinued operations</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Own Funds Generation</b>	<b>(908)</b>	<b>(2,460)</b>	<b>(3,368)</b>
Dividends & capital movements	(500)	—	(500)
Change in with-profits ring-fenced funds restrictions <sup>1</sup>		—	1,146
<b>Total Movement in Own Funds (recalculated transitional measure)</b>	<b>(1,408)</b>	<b>(2,460)</b>	<b>(2,721)</b>
<b>Impact of recalculating transitional measure<sup>2</sup></b>	<b>179</b>	<b>67</b>	<b>179</b>
<b>Own funds as at 31 December 2022<sup>3</sup></b>	<b>7,084</b>	<b>9,233</b>	<b>9,618</b>

<sup>1</sup> The contribution of the ring-fenced With-Profits Fund to Group own funds is limited to that required to cover the fund's capital requirements (see Section E.2).

<sup>2</sup> The analysis of change in own funds is presented assuming the TMTP was recalculated as at 31 December 2022. An adjustment of £179m is shown at the end of the table from recalculating the TMTP at 30 June 2022, in line with the other numbers presented in the SFCR.

<sup>3</sup> Total own funds at 31 December 2022 includes the impact of risk margin and TMTP. These elements are not subject to audit and have not been audited.

The main own funds movements during 2022 were as follows:

#### Shareholder:

- £601m underlying own funds generation comprised of expected surplus from in-force business primarily reflecting the expected real world return on shareholder transfers, return on surplus assets, the release of credit reserves on non-profit annuity business, and the contribution from new business, mainly PruFund.
- Other operating items resulted in own funds capital generation of £181m. This includes £171m from management actions, which mainly related to matching adjustment strategy changes of £87m and the own funds impact of the excess surplus distribution of £43m, and beneficial longevity assumption changes of £212m offset by expense assumption changes that reduced own funds by £23m and non-market experience variances of £(142)m.
- Non-operating items reduced own funds by £1,689m. This reflects unfavourable market movements of £2,259m, and £37m of restructuring costs, partially offset by £607m of tax.
- The payment of £500m in dividends to M&G plc over 2022. Further information is in Section A.1.4.3.

## E Capital management (continued)

### E.1 Own funds (continued)

#### With-Profits Fund:

- Underlying capital generation of £495m comprised of £459m from the expected surplus from in-force business, primarily reflecting the expected return on the excess of assets over liabilities in the With-Profits Fund, and £36m from new business written during the period, reflecting the future margins expected over the lifetime of that business.
- Other operating capital generation of £(1,572)m. This primarily reflects the distribution of c.£1.5bn of excess surplus from the with-profits inherited estate to policyholders which reduces the own funds by c.£1.4bn; the distribution increases asset share liabilities by c.£1.5bn, partially offset by a reduction in the cost of guarantees and smoothing. There is a c.£99m reduction from the annual review of non-market assumptions, mainly reflecting an increase in the expense assumptions more than offsetting the own funds generated by the weakening of longevity basis.
- Market movements of £(1,416)m, primarily due to the reduction in the value of the surplus assets for with-profits and Ex-PAL and increase in the present value of shareholder transfers (PVST) liability partially offset by a decrease in the cost of guarantees and smoothing liability from significant market movements over the period including a large increase in interest rates and lower than expected investment returns on assets backing policyholder liabilities.
- £(146)m from exceptional transformation expenses and restructuring costs.
- Tax changes of £179m, driven from c.£50m tax benefit to the estate, mainly from the tax credit on the unrealised losses on bonds in the estate. In addition, c.£120m resulting from a higher actual tax benefit at YE22 relative to that accrued to asset shares partly due to the asset shares using a discounted tax rate.
- A change in ring-fenced fund restrictions to reflect 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. The regulatory view therefore also reflects a reduction of £1,314m in the Solvency Capital requirements of the fund during the year.

PAC is funded by ordinary share capital of £330m. There were no changes in the ordinary share capital of PAC during the year.

### PPL

Figure 87: PPL - Analysis of change in own funds for the year ended 31 December 2022

All figures in £m		PPL
<b>Own Funds as at 31 December 2021</b>		<b>77</b>
Total underlying own funds generation		(1)
Other operating own funds generation		8
<b>Total operating own funds generation</b>		<b>7</b>
Market movements		(6)
Tax		(1)
<b>Total Own Funds Generation</b>		<b>(1)</b>
<b>Total Movement in Own Funds</b>		<b>(1)</b>
<b>Impact of recalculating transitional measure</b>		<b>1</b>
<b>Own funds as at 31 December 2022<sup>1</sup></b>		<b>78</b>

<sup>1</sup>Total own funds at 31 December 2022 includes the impact of risk margin and TMTP. These elements are not subject to audit and have not been audited.

The key drivers of the change in own funds are:

- £(1)m from underlying own funds movements, comprised of expected surplus from in-force business and the contribution from new business.
- Other operating movements of £8m, primarily changes in non-market assumptions of £6m (renewal expenses, investment management expense, additional expense inflation and persistency) and non-market experience of £3m, mainly lower than reserved for expenses partially offset by unfavourable persistency experience.
- Non-operating items reduced own funds by £8m. This reflects unfavourable market movements of £6m, £1m of restructuring costs and £(1)m of tax.

## E Capital management (continued)

### E.1 Own funds (continued)

#### E.1.5 Reconciliation of statutory accounts 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 statutory financial statements shareholders' equity, to the excess of assets over liabilities on the Solvency II balance sheet and to the Solvency II eligible own funds value are shown in Figure 88 below. The reconciling items are described in Sections D and E above.

Figure 88: Reconciliation of shareholder equity to Solvency II own funds at 31 December 2022 and 31 December 2021

	As at 31 December					
	M&G plc		PAC		PPL	
	2022	2021	2022	2021	2022	2021
	£m	£m	£m	£m	£m	£m
Statutory financial statements shareholders' equity	2,882	5,345	2,784	4,678	74	74
Remove unallocated surplus of the With-Profits Fund from liabilities	15,130	16,723	14,929	16,871	—	—
Deduct goodwill and intangible assets	(1,632)	(1,419)	—	—	—	—
Deduct deferred acquisition costs	—	—	(9)	(14)	—	—
Net impact of valuing policyholder liabilities and reinsurance valued on Solvency II basis	(751)	(331)	(750)	(643)	—	—
Impact of introducing Solvency II Risk Margin (net of transitional measures)	(659)	(1,148)	(571)	(1,060)	(10)	(17)
Impact of measuring assets and liabilities in line with Solvency II principles	787	217	(55)	131	14	21
Recognise own shares <sup>1</sup>	118	94	—	—	—	—
Other	(66)	(68)	(12)	(25)	—	—
<b>Solvency II excess of assets over liabilities</b>	<b>15,809</b>	<b>19,413</b>	<b>16,316</b>	<b>19,938</b>	<b>78</b>	<b>78</b>
Subordinated debt capital	2,998	3,728	—	—	—	—
Ring-fenced fund restrictions	(6,698)	(7,777)	(6,698)	(7,777)	—	—
Deduct own shares <sup>1</sup>	(127)	(108)	—	—	—	—
<b>Solvency II eligible own funds</b>	<b>11,982</b>	<b>15,257</b>	<b>9,618</b>	<b>12,161</b>	<b>78</b>	<b>78</b>

<sup>1</sup> Group - Own shares are recognised on the Solvency II balance sheet at fair value of £127m (2021: £108m), which differs to cost measurement used for IFRS of £118m (2021: £94m).

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

##### Restriction to own funds arising from ring-fenced funds

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

For ring-fenced funds, own funds are adjusted to reflect that the funds have a reduced capacity to fully absorb losses on a going-concern basis due to their lack of fungibility within the Group. The contribution to own funds from a ring-fenced fund is restricted such that the contribution to own funds from the ring-fenced fund is equal to the notional SCR for that ring-fenced fund. The impact of ring-fenced funds on the solvency position is shown in Figure 88 above, and relates to the WPSF only. No restriction applies in respect of the DCPSF, noting that this is also ring-fenced]. The ring-fenced fund restriction excludes the expected present value of shareholder transfers expected to emerge from the With-Profits Fund, and therefore the value of these transfers contributes to own funds. A corresponding capital requirement is held reflecting the risk to the shareholder that these future transfers differ from expectations.

##### Restriction to own funds arising from own shares

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

##### Restriction to own funds arising from defined benefit pension schemes

Any IAS19 surplus arising in respect of the PSPS and SASPS defined benefit pension schemes is recognised, as appropriate, in the Solvency II Own Funds, with an equivalent increase in the Solvency Capital Requirement, as the surplus asset recognised in the balance sheet would not be fungible within 9 months under stress.

##### 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 own funds required as at 31 December 2022.

There are no restrictions in respect of the matching adjustment portfolio

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 M&G plc 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 M&G plc 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 M&G plc Board declares the dividend. A second interim dividend for 2022 of 13.4 pence per ordinary share, estimated at £310m in total, was approved by the Group Board on 8 March 2023 to be paid on 27 April 2023. This dividend was not deemed foreseeable as at 31 December 2022 and therefore not deducted from own funds.

On 7 March 2023 the board of PAC approved a final dividend in respect of 2022 of £333m to be paid to M&G plc. This dividend was not deemed foreseeable as at 31 December 2022 and therefore not deducted from own funds.

No dividend has been declared for PPL for the year 2022 (2021: £nil).

#### E.1.7 Other information on M&G plc 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.

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

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

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

#### E.2.1 Overview

The SCR is the amount of capital the Solvency II regulations require 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, M&G plc has approval from the PRA to use an internal model for calculating the M&G plc SCR, together with solo undertaking SCRs for PAC and PPL. From and including 31 December 2020, the solo undertaking SCR for PIA has been calculated using the standard formula, although its contribution to the Group SCR is based on modelling PIA exposures using the Group's internal model.

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

The Consolidated Group SCR is determined as the sum of the SCR 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 OFS undertakings.

#### E.2.2 Components of SCR

Figure 89 below shows the undiversified SCR by risk components, the benefit of diversification in relation to the Group, and the sectoral requirements for OFS undertakings. This is not comparable to the breakdown of the shareholder SCR presented within the Supplementary Information in the M&G plc 2022 Annual Report and Accounts, as the exposures relating to the With-Profits Fund are included within the regulatory SCR.

The same internal model is used to calculate the M&G plc capital requirements and PAC and PPL solo capital requirements. The SCR of £6,486m, calculated on the basis of the consolidated data, reflects the capital requirements of the Group's main insurance subsidiary PAC (£6,258m) together with additional risk exposures from other non-sectoral subsidiaries. There is limited additional diversification at the M&G plc level, relative to PAC, given the modest amount of risk exposures in these subsidiaries.

Information on the movements in the M&G plc, PAC and PPL SCRs are provided in Section E.2.3 below.

The PRA has the power to impose a capital add-on to the SCR where it believes the SCR may be insufficient. It has not done so for M&G plc, PAC or PPL.

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

## E Capital management (continued)

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

Figure 89: Composition of capital requirements

Risk component	As at 31 December					
	M&G plc		PAC		PPL	
	2022	2021	2022	2021	2022	2021
	£m	£m	£m	£m	£m	£m
Interest rate risk	1,158	1,011	1,158	1,011	8	4
Equity risk	2,942	3,463	2,939	3,461	15	16
Property risk	1,228	1,292	1,183	1,248	—	1
Credit risk <sup>1</sup>	2,623	4,389	2,624	4,392	5	12
Concentration risk	—	—	—	—	—	—
Currency risk	2,091	1,903	2,092	1,904	6	6
<i>Diversification within market risks</i>	<b>(4,670)</b>	(4,776)	<b>(4,651)</b>	(4,766)	<b>(12)</b>	(11)
Other counterparty risk	140	163	102	126	2	—
Mortality risk	24	16	24	16	—	—
Longevity risk	1,664	3,369	1,664	3,371	—	—
Disability-morbidity risk	18	31	18	31	—	—
Mass lapse	732	197	733	197	4	4
Other lapse risk	564	1,497	564	1,497	5	5
Expense risk	1,124	1,388	1,125	1,388	35	51
Life catastrophe	14	23	14	24	—	—
<i>Diversification within life underwriting risks</i>	<b>(2,679)</b>	(3,656)	<b>(2,649)</b>	(3,607)	<b>(34)</b>	(42)
Other non-life underwriting risk	—	—	—	—	—	—
Operational risk	1,340	1,490	1,298	1,381	15	19
Loss-absorbing capacity of deferred tax	(379)	(1,208)	(530)	(1,307)	(5)	(5)
Other adjustments	—	—	—	—	—	—
<b>Total undiversified components</b>	<b>7,934</b>	10,593	<b>7,708</b>	10,366	<b>44</b>	62
<b>Diversification between market and underwriting risks</b>	<b>(1,448)</b>	(2,104)	<b>(1,450)</b>	(2,070)	<b>(10)</b>	(17)
<b>Total diversified SCR based on consolidated data</b>	<b>6,486</b>	8,489	<b>6,258</b>	8,296	<b>34</b>	45
<b>Sectoral SCR</b>	<b>655</b>	596	—	—	—	—
<b>Total SCR</b>	<b>7,141</b>	9,085	<b>6,258</b>	8,296	<b>34</b>	45

<sup>1</sup> This risk category is labelled 'Spread risk' in QRT S.25.0322 and S.25.03.21 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 underwriting risk.

#### M&G plc and PAC

Key changes in the SCR for M&G plc and PAC over 2022 include:

- A reduction in longevity risk capital due to increasing interest rates over the period. This also reduces the diversification benefit between market and underwriting risks as market risks are not highly correlated with longevity risk.
- A reduction in market risk capital following falls in equity and property markets, along with movements in exchange rates. Higher risk-free interest rates also act to reduce credit risk capital.
- An increase in market risk capital largely driven by an increase in interest rate risk capital, reflecting the higher interest rate environment as well as the increase in implied volatility experienced in the market, and an increase in currency risk capital due to the strengthening of overseas currencies.

#### PPL

Key changes in the SCR for PPL over 2022 include:

- A reduction in expense and credit risk capital following the increase in the risk-free interest rates experienced over 2022. The reduction in expense risk capital leads to a reduction in the diversification between underwriting risks and also a reduction in diversification benefit between market and underwriting risks.
- Operational risk capital has also reduced following the re-allocation of operational risk between entities within the Group.
- These impacts are partially offset by an increase in interest rate risk capital, reflecting the increase in interest rate volatility experienced in the market.

#### Minimum Capital Requirements

The M&G plc MCR (Minimum Consolidated Group SCR) is calculated as the sum of the MCRs of the UK and European Economic Area (EEA) authorised insurance and reinsurance undertakings included in the scope of Method 1.

The MCR is a formulaic calculation, which is subject to a cap and a floor that are both expressed relative to the SCR. As at 31 December 2022, the M&G plc MCR was £1,631m, of which £1,565m relates to PAC, £15m to PPL and £51m to PIA.

The inputs used to calculate the MCR for each of PAC and PPL are detailed in QRTs S.28.02.01 (PAC) and S.28.01.01 (PPL).

## E Capital management (continued)

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

#### E.2.2.1 Loss-absorbing capacity of deferred tax

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

As at 31 December 2022, the SCR has been reduced by an adjustment for LADT of £379m (2021: £1,208m) for M&G plc, £530m (2021: £1,307m) for PAC and £5m (2021: £5m) for PPL. The decrease in LADT for PAC and thus M&G plc over the period is primarily driven by the recognition of the deferred tax asset on the base balance sheet.

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

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

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

#### E.2.3 Change in SCR for the year ended 31 December 2022 (Unaudited)

Figure 90 below and the accompanying commentary provide the reasons for the changes in the components that make up M&G plc's SCR during 2022. 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 is presented before the impact of dividends and capital movements. It has two components:

- Underlying SCR movement, which is primarily comprised of the underlying expected SCR movements from the in-force life insurance business and the change in SCR as a result of writing new life insurance business; and
- Other operating SCR movement, which include non-market related experience variances, assumption changes, modelling changes and other movements.

Given that the 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 MCR during the period.

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

The table below presents the SCR as a positive item, contrary to the impact on Solvency II surplus. Therefore, a positive movement represents an increase in the SCR and a reduction in Solvency II surplus.

## E Capital management (continued)

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

#### M&G plc

Figure 90: Analysis of change in the M&G plc SCR

		For the year ended 31 December 2022		
		Shareholder view	With-Profits Fund view	Regulatory view
		£m	£m	£m
<b>SCR as at 31 December 2021</b>		<b>5,237</b>	<b>3,848</b>	<b>9,085</b>
<b>Asset Management</b>	Asset Management	22	—	22
<b>Asset Management underlying capital generation</b>		<b>22</b>	<b>—</b>	<b>22</b>
<b>Retail and Savings</b>	<b>Wealth</b>	<b>59</b>	<b>—</b>	<b>59</b>
	With-profits <sup>1</sup>	54	—	54
	- of which: In-force	(29)	—	(29)
	- of which: New business	82	—	82
	Platform and Advice	4	—	4
	Other	2	—	2
<b>Heritage</b>		<b>(164)</b>	<b>—</b>	<b>(164)</b>
	With-profits <sup>1</sup>	(54)	—	(54)
	Shareholder annuity and other	(110)	—	(110)
<b>Other Retail and Savings</b>		<b>60</b>	<b>—</b>	<b>60</b>
<b>Retail and Savings underlying capital generation</b>		<b>(45)</b>	<b>—</b>	<b>(45)</b>
<b>Corporate</b>	<b>Interest &amp; Head Office cost</b>	<b>(8)</b>	<b>—</b>	<b>(8)</b>
<b>Ring-fenced With-Profits Fund</b>			<b>(212)</b>	<b>(212)</b>
<b>Total Underlying SCR generation</b>		<b>(31)</b>	<b>(212)</b>	<b>(243)</b>
<b>Other operating SCR generation</b>		<b>1</b>	<b>(52)</b>	<b>(51)</b>
	Asset management	40	—	40
	Retail and Savings	(6)	—	(6)
	Corporate centre	(33)	—	(33)
	Ring-fenced with-profits fund		(52)	(52)
<b>Total operating SCR generation</b>		<b>(29)</b>	<b>(264)</b>	<b>(293)</b>
	Market movements	(1,034)	(1,039)	(2,073)
	Restructuring	(7)	—	(7)
	Tax	479	(11)	468
<b>Total SCR Generation from continuing operations</b>		<b>(592)</b>	<b>(1,314)</b>	<b>(1,905)</b>
<b>SCR Generation from discontinued operations</b>		<b>—</b>	<b>—</b>	<b>—</b>
<b>Total SCR Generation</b>		<b>(592)</b>	<b>(1,314)</b>	<b>(1,905)</b>
Dividends & capital movements		15	—	15
Change in with-profits ring-fenced funds restrictions		—	—	—
<b>Total Movement in SCR (recalculated transitional measure)</b>		<b>(577)</b>	<b>(1,314)</b>	<b>(1,891)</b>
<b>Impact of moving to regulatory transitional measure</b>		<b>(54)</b>	<b>—</b>	<b>(54)</b>
<b>SCR as at 31 December 2022</b>		<b>4,606</b>	<b>2,534</b>	<b>7,141</b>

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



## E Capital management (continued)

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

The main SCR movements during 2022 were as follows:

#### Shareholder:

- Underlying movements resulted in a net £31m decrease in the Group shareholder SCR during 2022. For Retail and Savings Wealth with-profits business, there was a £54m increase in the SCR representing the expected growth in asset values, net of the expiry of hedges. This movement also includes the impact of writing new business. For Heritage business, which is mostly closed to new customers, the reduction in SCR of £164m represents the expected movement as the business runs off and capital is released. For Other Retail & Savings business this includes a £60m increase in SCR with respect to future new business. The underlying SCR movements from non-insurance business are small in the context of the Group.
- Other operating items resulted in a £1m net increase in the SCR. The most significant driver was management actions of £25m, which included a net circa £40m benefit from asset trading and hedging activities, and the excess surplus distribution (£67m), and model changes of £32m, mainly the impact of the operational risk calibration, offset by £(33)m non-market experience variance. In addition there was a reduction in SCR of £43m for the PAC With-Profits funding of the Polish Branch where the PAC Shareholder fund will meet the shortfall in the event that the value of development recovery charges recouped is insufficient to cover these costs. This is a result of the change in treatment to account for this under IAS37 (as set out in D.3.1.1). Allowances for uncertainty that were previously captured in the capital requirement are now captured in the base provision.
- Market movements reduced the SCR by £1,034m, primarily due to increasing interest rates reducing the capital requirement held in respect of shareholder annuity business.
- There was a £479m increase in the SCR as a result of the reduction in LADT.
- Dividends and capital movements increased the Group's SCR by £15m which reflects the capital impact of investments in ResponsAbility, MoneyFarm, Sandringham and TCF.

#### With-Profits Fund:

See PAC With-Profits fund section below in Figure 91.

**E Capital management (continued)****E.2 Solvency Capital Requirement and Minimum Capital Requirement (unaudited) (continued)****PAC**

Figure 91: Analysis of change in the PAC SCR

		For the year ended 31 December 2022		
		Shareholder view	With-Profits Fund view	Regulatory view
		£m	£m	£m
<b>SCR as at 31 December 2021</b>		<b>4,448</b>	<b>3,848</b>	<b>8,296</b>
<b>Retail and Savings</b>	<b>Wealth</b>	<b>55</b>		<b>55</b>
	With-profits <sup>1</sup>	54		54
	- of which: In-force	(29)		(29)
	- of which: New business	82		82
	Platform and Advice	—		—
	Other	2		2
	<b>Heritage</b>	<b>(164)</b>		<b>(164)</b>
	With-profits <sup>1</sup>	(54)		(54)
	Shareholder annuity and other	(110)		(110)
	<b>Other Retail and Savings</b>	<b>60</b>		<b>60</b>
	<b>Retail and Savings underlying capital generation</b>	<b>(49)</b>		<b>(49)</b>
<b>Ring-fenced With-Profits Fund</b>			<b>(212)</b>	<b>(212)</b>
<b>Total Underlying SCR generation</b>		<b>(49)</b>	<b>(212)</b>	<b>(261)</b>
<b>Other operating SCR generation</b>		<b>(6)</b>	<b>(52)</b>	<b>(58)</b>
	Retail and Savings	(6)		(6)
	Ring-fenced with-profits fund		(52)	(52)
<b>Total operating SCR generation</b>		<b>(55)</b>	<b>(264)</b>	<b>(319)</b>
	Market movements	(1,040)	(1,039)	(2,079)
	Restructuring	—	—	—
	Tax	425	(11)	414
<b>Total SCR Generation from continuing operations</b>		<b>(670)</b>	<b>(1,314)</b>	<b>(1,983)</b>
<b>SCR Generation from discontinued operations</b>		<b>—</b>	<b>—</b>	<b>—</b>
<b>Total SCR Generation</b>		<b>(670)</b>	<b>(1,314)</b>	<b>(1,983)</b>
<b>Dividends &amp; capital movements</b>		<b>—</b>	<b>—</b>	<b>—</b>
<b>Change in with-profits ring-fenced funds restrictions</b>		<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Movement in SCR (recalculated transitional measure)</b>		<b>(670)</b>	<b>(1,314)</b>	<b>(1,983)</b>
<b>Impact of moving to regulatory transitional measure</b>		<b>(54)</b>	<b>—</b>	<b>(54)</b>
<b>SCR as at 31 December 2022</b>		<b>3,724</b>	<b>2,534</b>	<b>6,258</b>

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

## E Capital management (continued)

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

The main SCR movements during 2022 were as follows:

#### Shareholder:

- Underlying movements resulted in a net £49m decrease in the PAC shareholder SCR during 2022 due to partially offsetting impacts from the reduction in capital as the business runs off and the increase in capital as new business, mainly PruFund, is written.
- Other operating items resulted in a £6m decrease in the SCR. The most significant drivers was management actions of £25m, as outlined for M&G in Figure 90 above.
- Market movements reduced the SCR by £1,040m primarily due to increasing interest rates reducing the capital requirement held in respect of shareholder annuity business.
- A £425m movement in SCR due to changes in the LADT.

#### With-Profits Fund:

The reasons for the movement in the With-Profits Fund business are:

- Underlying movements resulted in a net £212m decrease during the period which reflects a £327m release of capital requirements as the in-force business runs off, offset by £115m additional capital requirements in respect of new business written over the period.
- Other operating items resulted in a £52m decrease in the SCR, primarily as a result of management actions and other operating changes, in particular the distribution of excess surplus from the With-Profits estate to enhance policyholder benefits and the transfers of assets between the With-Profits estate and the Asset Share Funds backing the policyholder liabilities
- Market movements reduced the SCR by £1,039m over the period, primarily driven by the rise in interest rates over 2022.
- A £11m reduction due to a small decrease in tax.

#### PPL

PPL business is in the Retail and Savings segment.

Figure 92: Analysis of change in the PPL SCR

All figures in £m	Shareholder and regulatory view
<b>SCR as at 31 December 2021</b>	<b>45</b>
<b>Total Underlying SCR generation</b>	<b>(2)</b>
<b>Other operating SCR generation</b>	<b>–</b>
<b>Total operating SCR generation</b>	<b>(3)</b>
Market movements	<b>(8)</b>
Restructuring	<b>–</b>
Tax	<b>–</b>
<b>Total SCR Generation</b>	<b>(10)</b>
<b>Dividends &amp; capital movements</b>	<b>–</b>
<b>Total Movement in SCR (recalculated transitional measure)</b>	<b>(10)</b>
<b>Impact of moving to regulatory transitional measure</b>	<b>–</b>
<b>SCR as at 31 December 2022</b>	<b>34</b>

The main movements during 2022 are as follows:

- Underlying movements resulted in a £2m reduction due to partially offsetting impacts from the reduction in capital as the business runs off and the increase in capital as new business is written.
- Market movements reduced the SCR by £8m.

### 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.

## 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 requirement. 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 2022 has been demonstrated as part of an annual attestation process, as required by the framework.

#### E.4.2 Internal model application

As required in the Solvency II Directive, the SCR from the approved Internal Model is calculated as the value-at-risk of the basic own funds of an (re)insurance undertaking at a confidence level of 99.5% over a one-year period. The main risk categories allowed for in the internal model are shown in Section E.2.2. Within these categories, underlying "risk drivers" are specified as the result of an annual risk identification process. A model is defined and calibrated for each underlying risk driver and these are combined with an appropriate dependency structure and simulated to generate multiple thousands of combined risk scenarios. These risk scenarios are applied to all the assets and liabilities of the Group (for each entity within the scope of the internal model) to generate a wide range of possible outcomes. For simplicity, and to avoid circularity, the risk margin is held constant in all these risk scenarios. The resulting probability distribution is used to calculate the internal model SCR, by subtracting the 99.5th worst percentile outcome from the unstressed balance sheet.

The data used in the Internal Model is subject to the Internal Model Data Quality Framework to ensure the accuracy, completeness, appropriateness and timeliness of the data. The following types of data are used in the Internal Model:

- liability data;
- asset data;
- finance data;
- operational risk data;
- policyholder data;
- data used in setting assumptions, including demographic, economic and other; and
- other relevant data required by the internal model and technical provisions.

#### E.4.3 Comparison of the Internal model and standard formula

Key differences between the calculation of the Internal Model SCR and the standard formula SCR include:

- The standard formula stresses and correlations are prescribed in the Solvency II Delegated Regulations, whilst the Internal Model risk scenarios reflect the Group's specific risk profile and are derived from a combination of data analysis and expert judgement, subject to the Internal Model tests and standards required by the Solvency II Directive (see further detail in Figure 93 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).

## **E Capital management (continued)**

### **E.4 Group Internal Model (Unaudited) (continued)**

- 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 99.5th 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.
- For Group and PAC, the Internal Model allows for the matching adjustment ring-fenced portfolio to vary in each risk scenario, reflecting changes in the value of the corresponding liabilities. Therefore, diversification is allowed for between risks inside and risks outside the matching adjustment portfolio. Conversely, the standard formula requires that matching adjustment portfolios are ring fenced and therefore 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 (Unaudited) (continued)

Figure 93: Overview of Standard Formula and Internal Model differences

Risk category	Standard formula	Internal model
Equity	Stresses vary between "Type 1" (listed EEA and OECD stocks) and "Type 2" (other countries, unlisted equities and alternative equity investments). A symmetric adjustment is applied to the level of stress to smooth out significant movements in markets close to the calculation date.	The model includes more granular stresses with calibrations set for each main equity benchmark index. At least one equity index is calibrated for each relevant global economy. Private equity, infrastructure equity and hedge funds are modelled using specific calibrations. Equity implied volatility is also modelled. No symmetric adjustment is applied.
Credit	For corporate bonds, loans and non-exempt sovereign bonds, credit risk is modelled by stressing credit spreads, with stresses varying by rating and duration bucket. European sovereign bonds are exempt from stress. Different stresses are applied for securitised assets and those with no credit rating. The matching adjustment is allowed for by a factor-based reduction of the spread stresses by rating.	Credit spreads, ratings migrations, defaults and fundamental spreads (for the UK matching adjustment portfolio) are all explicitly modelled. The spread stresses vary by credit rating, with calibrations differentiated by economy, product and duration bucket where appropriate. Internal credit assessments are used for bonds and loans without an agency rating and to uplift stresses for assets where structuring introduces additional risk. Spread stresses are applied to sovereign bonds, taking into account the credit risk of the issuing government. The matching adjustment is calculated dynamically based on the bond yields and fundamental spread being modelled in each risk scenario.
Yields	Interest rate stresses are defined as bi-directional stresses to the base risk-free curve which vary by term but not by country.	Stresses are calibrated for each relevant global economy, and stresses to the shapes of risk-free yield curves are modelled using an industry-standard 'principle component' methodology. Stressed curves are re-extrapolated beyond the last liquid point for each economy using the methodology specified by the PRA. Interest rate implied volatility and inflation risk are also modelled.
Property	There is a single property stress applied globally to the value of all assets classified as property.	Property stresses are differentiated by type of property, with separate calibrations for commercial and residential property. The model also separates the risks relating to contractually fixed rental income from that relating to capital growth where this is relevant for the matching adjustment.
Currency	A pair of up and down stresses is applied to the non-GBP net asset value in each business, and then aggregated. This approach also implicitly captures any asset-liability currency mismatch in each country.	A calibration is derived for each currency relative to GBP. Currency outcomes are simulated and used to translate all assets and liabilities into sterling in each risk scenario, thereby including the effect of currency "translation" as well as asset-liability currency mismatches within countries.
Concentration (Group and PAC only)	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 underwriting risks.
Persistence	Policyholder persistency 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 persistency calibration is more granular and includes stresses to persistency assumptions and mass lapses. The stresses vary by product type as appropriate.
Longevity (Group and PAC only)	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 (Group and PAC only)	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, PAC and PPL met their SCR and MCR at all times during 2022.

### E.6 Any other information

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

## Glossary

<b>Adjusted operating profit before tax</b>	Adjusted operating profit before tax is one of the Group's key alternative performance measure. It is defined in Section A.2.	<b>M&amp;G Group Limited/M&amp;G Investments</b>	M&G Group Limited (MGG) 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.  MGG is the holding company of the Group's Asset Management business, M&G Investments.
<b>Annuity policy</b>	Annuities are contracts which offer policyholders a regular income over the policyholder's life, in exchange for an upfront premium.		
<b>Assets under management and administration (AUMA)</b>	Assets under management and administration represents the total market value of all financial assets managed, administered or advised on behalf of clients.	<b>Minimum Capital Requirements (MCR)</b>	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.
<b>Board</b>	The Board of Directors of the Company.		
<b>Bonuses</b>	Bonuses refer to the non-guaranteed benefit added to participating life insurance policies and are the way in which policyholders receive their share of the profits of the policies. There are normally two types of bonus:  Regular bonus: expected to be added every year during the term of the policy. It is not guaranteed that a regular bonus will be added each year, but once it is added, it cannot be reversed, also known as annual or reversionary bonus; and  Final bonus: an additional bonus expected to be paid when policyholders take money from the policies. If investment return has been low over the lifetime of the policy, a final bonus may not be paid. Final bonuses may vary and are not guaranteed.	<b>Non-profit business</b>	Contracts where the policyholders are not entitled to a share of the company's profits and surplus, but are entitled to other contractual benefits. Examples include pure risk policies (such as fixed annuities) and unit-linked policies.
		<b>Operating capital generation</b>	Operating capital generation is the total capital generation before tax, adjusted to exclude market movements relative to those expected under long-term assumptions and to remove other non-operating items, including shareholder restructuring costs.
		<b>Own funds</b>	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.
<b>Company/parent company</b>	M&G plc, a public limited company incorporated in England and Wales with registered number 11444019 whose registered office is 10 Fenchurch Avenue, London EC3M 5AG, UK.	<b>PRA</b>	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.
<b>Demerger</b>	The demerger of the Group from the Prudential Group in October 2019.	<b>PruFund</b>	Our PruFund proposition provides our retail customers with access to smoothed savings contracts with a wide choice of investment profiles.
<b>Director</b>	A Director of the Company.	<b>Rothsay Life</b>	Rothsay Life PLC.
<b>FCA</b>	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.	<b>Scottish Amicable Insurance Fund (SAIF)</b>	SAIF was a ring-fenced sub-fund of the With-Profits Fund following the acquisition of the mutually owned Scottish Amicable Life Assurance Society in 1997. The fund is solely for the benefit of policyholders of SAIF. On 1 April 2021 SAIF merged with PAC's main with-profits sub-fund and the assets and liabilities of SAIF combined with those of the with-profits sub-fund.
<b>Group</b>	The Company and its subsidiaries.	<b>SFDR</b>	The EU's SFDR is a regulation designed to make it easier for investors to distinguish and compare between the many sustainable investment strategies that are now available within the European Union; the framework classifies asset managers' funds as either an article 6, 8, or 9 funds depending on their level of sustainability, and regardless if they are promoting their fund as an ESG investment.
<b>Group Executive Committee</b>	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.		
<b>International Financial Reporting Standards (IFRS)</b>	International Financial Reporting Standards are accounting standards issued by the International Accounting Standards Board (IASB). The Group's consolidated financial statements are prepared in accordance with UK adopted International Accounting Standards (IAS). Any reference to IFRS refers to those which have been adopted for use in the UK unless specified otherwise.		

## Glossary (continued)

<b>Shareholder Solvency II coverage ratio</b>	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.
<b>Solvency Capital Requirement (SCR)</b>	SCR represents the 99.5th percentile (or 1-in-200) worst outcome over the coming year, out of 100,000 equally likely scenarios, allowing for the dependency between the risks the business is exposed to. The SCR is calculated using the Group's Solvency II internal model.
<b>Solvency II</b>	A regime for the prudential regulation of insurance companies that was introduced by the EU on 1 January 2016.
<b>Solvency II surplus</b>	Solvency II surplus represents the own funds held by the Group less the Solvency Capital Requirement.
<b>Statutory Profit</b>	Profit, as reported within an entity's financial statements, in line with the adopted accounting standards.
<b>The Prudential Assurance Company Limited (PAC)</b>	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.
<b>Total capital generation</b>	Total capital generation is the total change in Solvency II surplus capital before dividends and capital movements, and capital generated from discontinued operations. It assumes a TMTP recalculated based on management's estimate of the impact of market and operating conditions as at the valuation date.
<b>Transitional measures</b>	Transitional measures on technical provisions are an adjustment to Solvency II technical provisions, to smooth the impact of the change in the regulatory regime on 1 January 2016. This decreases linearly over 16 years following the implementation of Solvency II, but may be recalculated in certain cases, subject to agreement with the PRA.
<b>Unallocated surplus of the With-Profits Fund</b>	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.
<b>Unit-linked policy</b>	A policy where the benefits are determined by the investment performance of the underlying assets in the unit-linked fund.
<b>With-profits business</b>	Contracts where the policyholders have a contractual right to receive, at the discretion of the Company, additional benefits based the profits of the fund, as a supplement to any guaranteed benefits.
<b>With-Profits Fund</b>	The Prudential Assurance Company Limited's fund where policyholders are entitled to a share of the profits of the fund. Normally, policyholders receive their share of the profits through bonuses. It is also known as a participating fund as policyholders have a participating interest in the With-Profit Funds and any declared bonuses.



## Approvals, modifications, and determinations

The following approvals, modifications, and determinations apply for M&G plc at 31 December 2022.

### Approvals

Approval	Legal entity	Regulator reference
Matching adjustment in the calculation of technical provisions	PAC	A2202358P (01/01/16), A2248394P (01/01/16)
Transitional measure on technical provisions	PAC / PPL	A5114226P (19/12/18), A4851913P (31/12/17), A4928155P (03/05/18), A5356674P (30/09/19), A5427593P (31/12/19), A00001299P (31/03/20), A00003617P (31/12/21), A2249171P (01/01/16), A2249168P (01/01/16), A2457731P (22/07/16)
Full / partial internal model in the calculation of the SCR	PAC / PPL	A5344519P (21/10/19), A00003754P (27/12/21)

### Modifications

M&G plc has received permission from the PRA to produce a single Group-wide SFCR (reference A00003171P (03/11/21)).

### Determinations

None

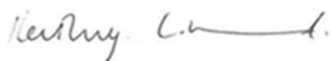
## Statement of directors' responsibilities

The Directors of M&G plc acknowledge their responsibility for preparing the Group SFCR in all material respects in accordance with the PRA rules and Solvency II Regulations.

The directors are satisfied that:

- (a) throughout the financial year to 31 December 2022, 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 2022 to the date of the publication of the SFCR, the Group has continued so to comply and therefore will continue so to comply for the remainder of the financial year to 31 December 2023.

Signed on behalf of the Board of Directors



K McLeland

Director

31 March 2023

The Directors of The Prudential Assurance Company Limited acknowledge their responsibility for preparing the SFCR for PAC in all material respects in accordance with the PRA rules and Solvency II Regulations.

The directors are satisfied that:

- (a) throughout the financial year to 31 December 2022, PAC has complied in all material respects with the requirements of the PRA rules and the Solvency II Regulations as applicable at the level of PAC; and
- (b) it is reasonable to believe that in respect of the period from 31 December 2022 to the date of the publication of the Group SFCR, PAC has continued so to comply and therefore will continue so to comply for the remainder of the financial year to 31 December 2023.

Signed on behalf of the Board of Directors



S Horgan

Director

31 March 2023

The Directors of Prudential Pensions Limited acknowledge their responsibility for preparing the SFCR for PPL in all material respects in accordance with the PRA rules and Solvency II Regulations.

The directors are satisfied that:

- (a) throughout the financial year to 31 December 2022, PPL has complied in all material respects with the requirements of the PRA rules and the Solvency II Regulations as applicable at the level of PPL; and
- (b) it is reasonable to believe that in respect of the period from 31 December 2022 to the date of the publication of the Group SFCR, PPL has continued so to comply and will continue so to comply for the remainder of the financial year to 31 December 2023.

Signed on behalf of the Board of Directors



S Horgan

Director

31 March 2023

## Independent Auditor's Report

**Report of the external independent auditors to the Directors of M&G Plc ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms**

**Report on the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report**

### Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2022:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 December 2022, (**the Narrative Disclosures subject to audit**); and
- Group templates S.02.01.02, S.22.01.22, S.23.01.22 and S.32.01.22 (**the Group Templates subject to audit**).
- Company templates S.02.01.02, S.12.01.02, S.17.01.02, S.22.01.21, S.23.01.01 and S.28.02.01 in respect of The Prudential Assurance Company Limited and S.02.01.02, S.12.01.02, S.22.01.21, S.23.01.01 and S.28.01.01 in respect of Prudential Pensions Limited ('the Group members') (**the Company Templates subject to audit**).

The Narrative Disclosures subject to audit, the Group Templates subject to audit and the Company Templates subject to audit are collectively referred to as the '**relevant elements of the Single Group-Wide 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 Single Group-Wide Solvency and Financial Condition Report set out above which is, or derives from the Solvency Capital Requirement, as identified in the Appendix to this report;
- The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Single Group-Wide Solvency and Financial Condition Report;
- Group templates S.05.01.02 and S.25.03.22;
- Company templates S.05.01.02, S.19.01.21 and S.25.03.21;
- 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 measure on technical provisions as set out in the Appendix to this report;
- The written acknowledgement by management of their responsibilities, including for the preparation of the Single Group-Wide 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**) as identified in the Appendix to this report.

To the extent the information subject to audit in the relevant elements of the Single Group-Wide 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 Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 December 2022 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 Auditors' Responsibilities for the Audit of the relevant elements of the Single Group-Wide 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 Single Group-Wide 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.

### Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtained the Directors' going concern assessment and challenged the rationale for the downside scenarios adopted and material assumptions made using our knowledge of the Group's business performance, review of regulatory correspondence and obtaining further corroborating evidence;
- Considered Management's assessment of the regulatory solvency coverage and liquidity position in the forward looking scenarios which have been driven from the Group's Own Risk and Solvency Assessment (ORSA); and
- Considered information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict Management's assessment of going concern; and

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date on which the Single Group-Wide Solvency and Financial Condition Report is authorised for issue.

In auditing the Single Group-Wide Solvency and Financial Condition Report, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Single Group-Wide Solvency and Financial Condition Report is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### **Emphasis of Matter - Basis of Accounting**

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Single Group-Wide Solvency and Financial Condition Report, which describe the basis of accounting. The Single Group-Wide 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 Single Group-Wide 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 Single Group-Wide Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### **Other Information**

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Single Group-Wide Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Single Group-Wide 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 Single Group-Wide 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 Single Group-Wide 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 Single Group-Wide Solvency and Financial Condition Report**

The Directors are responsible for the preparation of the Single Group-Wide 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, as detailed below:

- Permission to publish a Single Group-Wide Solvency and Financial Condition Report;
- Approval to use the matching adjustment in the calculation of technical provisions;
- Approval to use the transitional measure on technical provisions; and
- Approval to use a full or partial internal models

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Single Group-Wide Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibilities for the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report**

It is our responsibility to form an independent opinion as to whether the information subject to audit in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report is prepared, in all material respects, in accordance with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Single Group-Wide Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 Single Group-Wide Solvency and Financial Condition Report.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK and European regulatory principles, such as those governed by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), and we considered the extent to which non-compliance might have a material effect on the Single Group-Wide Solvency and Financial Condition Report. We also considered those laws and regulations that have a direct impact on the Single Group-Wide Solvency and Financial Condition Report such as the PRA rulebook applicable to Solvency II firms. We evaluated management's incentives and opportunities for fraudulent manipulation of the Single Group-Wide Solvency and Financial Condition Report (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and judgmental areas such as the valuation of technical provisions. Audit procedures performed included:

- Discussions with the Board, Senior Management, Internal Audit, senior management involved in the Risk and Compliance functions and the Group's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation and testing of the operating effectiveness of Management's controls designed to prevent and detect irregularities;
- Assessment of matters reported on the Group's whistleblowing helpline and fraud register and the results of Management's investigation of such matters;
- Meeting with the PRA periodically and reading key correspondence with the PRA and the FCA, including those in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Board of Directors, Audit, Risk, Remuneration and Disclosure Committees;
- Identifying and testing journal entries based on risk criteria;
- Testing of judgements and assumptions in subjective areas, such as valuation of best estimate liabilities;

- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Reviewing the Group’s register of litigation and claims, Internal Audit reports, and compliance reports in so far as they related to non-compliance with laws and regulations and fraud; and
- Attendance at Audit Committee and Joint Audit and Risk Committee meetings.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the Single Group-Wide Solvency and Financial Condition Report. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit is located on the Financial Reporting Council’s website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors’ report.

**Use of this report**

This report, including the opinion, has been prepared for the Board of Directors of the Company in accordance with External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose or to any other party save where expressly agreed by our prior consent in writing.

**Other Matter**

The Company has authority to calculate its Group Solvency Capital Requirements using an internal model (‘the Group 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 Group Model, or whether the Group Model is being applied in accordance with the Group members’ application or approval order.

**Report on Other Legal and Regulatory Requirements**

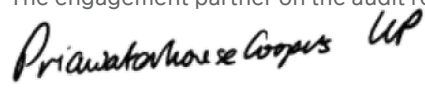
**Sectoral Information**

In our opinion, in accordance with Rule 4.2 of the External Audit Part of the PRA Rulebook, 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 the Company’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 engagement partner on the audit resulting in this independent auditors’ report is Thomas Robb.



PricewaterhouseCoopers LLP

Chartered Accountants

7 More London Riverside

London

SE1 2RT

31 March 2023

**Appendix - relevant elements of the Single Group-Wide Solvency and Financial Condition Report that are not subject to audit**

The relevant elements of the Single Group-Wide 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 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
- The following elements of Company 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 Company template S.12.01.02
  - Row R0100: Technical provisions calculated as a sum of BE and RM - Risk margin
  - Rows R0110 to R0130 – Amount of transitional measure on technical provisions
- The following elements of Company template S.17.01.02
  - Row R0280: Technical provisions calculated as a sum of BE and RM - Risk margin
  - Rows R0290 to R0310 – Amount of transitional measure on technical provisions
- The following elements of Company template S.22.01.21
  - Column C0030 – Impact of transitional on technical provisions
  - Row R0010 – Technical provisions
  - Row R0090 – Solvency Capital Requirement
- The following elements of Company template S.23.01.01
  - Row R0580: SCR
  - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
- The following elements of Company template S.28.01.01 and S.28.02.01
  - Row R0310: SCR
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

## Quantitative Reporting Templates (QRTs)

## S.02.01.02 Balance Sheet - M&amp;G plc

Assets		Solvency II value C0010 £000s
R0030	Intangible assets	0
R0040	Deferred tax assets	547,047
R0050	Pension benefit surplus	26,504
R0060	Property, plant & equipment held for own use	314,850
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	132,623,688
R0080	Property (other than for own use)	10,505,618
R0090	Holdings in related undertakings, including participations	51,222,983
R0100	Equities	9,918,574
R0110	Equities - listed	9,738,417
R0120	Equities - unlisted	180,157
R0130	Bonds	45,190,586
R0140	Government Bonds	10,754,018
R0150	Corporate Bonds	32,562,540
R0160	Structured notes	0
R0170	Collateralised securities	1,874,028
R0180	Collective Investments Undertakings	12,090,887
R0190	Derivatives	2,551,985
R0200	Deposits other than cash equivalents	1,143,055
R0210	Other investments	0
R0220	Assets held for index-linked and unit-linked contracts	13,754,546
R0230	Loans and mortgages	20,083,177
R0240	Loans on policies	1,611
R0250	Loans and mortgages to individuals	900,618
R0260	Other loans and mortgages	19,180,948
R0270	Reinsurance recoverables from:	2,305,501
R0280	Non-life and health similar to non-life	121,046
R0290	Non-life excluding health	121,046
R0300	Health similar to non-life	0
R0310	Life and health similar to life, excluding index-linked and unit-linked	468,128
R0320	Health similar to life	(2,373)
R0330	Life excluding health and index-linked and unit-linked	470,501
R0340	Life index-linked and unit-linked	1,716,327
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	23,535
R0370	Reinsurance receivables	26,112
R0380	Receivables (trade, not insurance)	644,674
R0390	Own shares (held directly)	127,287
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	1,373,340
R0420	Any other assets, not elsewhere shown	0
R0500	Total assets	171,850,261

## S.02.01.02 Balance Sheet - M&amp;G plc

		Solvency II value
		C0010
Liabilities		£000s
R0510	Technical provisions - non-life	121,084
R0520	Technical provisions - non-life (excluding health)	121,084
R0530	TP calculated as a whole	0
R0540	Best Estimate	121,084
R0550	Risk margin	0
R0560	Technical provisions - health (similar to non-life)	0
R0570	TP calculated as a whole	0
R0580	Best Estimate	0
R0590	Risk margin	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	124,582,147
R0610	Technical provisions - health (similar to life)	(9,445)
R0620	TP calculated as a whole	0
R0630	Best Estimate	(9,485)
R0640	Risk margin	40
R0650	Technical provisions - life (excluding health and index-linked and unit-linked)	124,591,592
R0660	TP calculated as a whole	0
R0670	Best Estimate	123,963,012
R0680	Risk margin	628,580
R0690	Technical provisions - index-linked and unit-linked	15,374,381
R0700	TP calculated as a whole	0
R0710	Best Estimate	15,344,445
R0720	Risk margin	29,936
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	23,455
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	145,916
R0780	Deferred tax liabilities	654,111
R0790	Derivatives	3,900,285
R0800	Debts owed to credit institutions	2,260,619
R0810	Financial liabilities other than debts owed to credit institutions	400,335
R0820	Insurance & intermediaries payables	1,017,222
R0830	Reinsurance payables	51,796
R0840	Payables (trade, not insurance)	4,511,566
R0850	Subordinated liabilities	2,997,676
R0860	<i>Subordinated liabilities not in BOF</i>	0
R0870	<i>Subordinated liabilities in BOF</i>	2,997,676
R0880	Any other liabilities, not elsewhere shown	0
R0900	Total liabilities	156,040,593
R1000	Excess of assets over liabilities	15,809,668



**S.05.01.02 Premiums claims and expenses by line of business (Unaudited) - M&G plc**

	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				Total	
		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
		C0010 £000s	C0020 £000s	C0030 £000s	C0040 £000s	C0050 £000s	0 s	0 s	C0080 £000s	C0090 £000s	0 s	C0110 £000s	C0120 £000s	C0130 £000s	C0140 £000s	C0150 £000s		C0160 £000s
<b>Premiums written</b>																		
R0110	Business reinsurance	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R0120	accepted reinsurance	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R0130	accepted reinsurance	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R0140	Reinsurers' share	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R0200	Net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>Premiums earned</b>																		
R0210	Business reinsurance	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R0220	accepted reinsurance	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R0230	accepted reinsurance	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R0240	Reinsurers' share	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R0300	Net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>Claims incurred</b>																		
R0310	Business reinsurance	—	—	—	6565	—	—	—	(2,517)	—	—	—	—	—	—	—	—	—
R0320	accepted reinsurance	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R0330	accepted reinsurance	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R0340	Reinsurers' share	—	—	—	6565	—	—	—	(2,517)	—	—	—	—	—	—	—	—	—
R0400	Net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>Changes in other technical provisions</b>																		
R0410	Business reinsurance	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R0420	accepted reinsurance	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R0430	accepted reinsurance	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R0440	Reinsurers' share	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R0500	Net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R0550	<b>Expenses incurred</b>	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R1200	<b>Other expenses</b>	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R1300	<b>Total expenses</b>	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

## S.05.01.02 Premiums claims and expenses by line of business (Unaudited) - M&amp;G plc

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	from non-life insurance contracts and relating to health insurance obligations	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
<b>Premiums written</b>										
R1410	Gross	36,494	6,254,641	779,449	137,491	—	—	—	22,046	7,230,121
R1420	Reinsurers' share	(2,518)	(168)	(23,881)	(453,792)	—	—	—	(1,016)	(481,375)
R1500	Net	33,976	6,254,473	755,568	(316,301)	—	—	—	21,030	6,748,746
<b>Premiums earned</b>										
R1510	Gross	36,494	6,254,641	779,449	137,491	—	—	—	22,046	7,230,121
R1520	Reinsurers' share	(2,518)	(168)	(23,881)	(453,792)	—	—	—	(1,016)	(481,375)
R1600	Net	33,976	6,254,473	755,568	(316,301)	—	—	—	21,030	6,748,746
<b>Claims incurred</b>										
R1610	Gross	(17,215)	(9,468,135)	(2,810,464)	(1,981,194)	—	—	—	(63,514)	(14,340,522)
R1620	Reinsurers' share	9,538	406	42,103	449,889	—	—	—	591	502,527
R1700	Net	(7,677)	(9,467,729)	(2,768,360)	(1,531,305)	—	—	—	(62,923)	(13,837,994)
<b>Changes in other technical provisions</b>										
R1710	Gross	(3,148)	11,645,394	3,683,061	4,938,476	—	—	—	77,224	20,341,007
R1720	Reinsurers' share	(173)	(3,704)	(39,477)	(697,951)	—	—	—	93	(741,212)
R1800	Net	(3,321)	11,641,690	3,643,584	4,240,525	—	—	—	77,317	19,599,795
R1900	<b>Expenses incurred</b>	(714)	(710,985)	(148,335)	(189,908)	—	—	—	(26,528)	(1,076,470)
R2500	<b>Other expenses</b>	—	—	—	—	—	—	—	—	(16,398)
R2600	<b>Total expenses</b>	—	—	—	—	—	—	—	—	(1,092,868)

**S.22.01.22 Impact of long term guarantees measures and transitionals - M&G plc**

		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	140,077,612	1,539,460	—	—	2,261,046
Basic own funds	R0020	10,888,809	(669,491)	—	—	(882,697)
Eligible own funds to meet Solvency Capital Requirement	R0050	11,981,907	(743,679)	—	—	(808,509)
Solvency Capital Requirement	R0090	7,140,771	203,101	—	—	3,062,714

## S.23.01.22 Own Funds - M&amp;G plc

		Total	Tier 1	Tier 1	Tier 2	Tier 3
		C0010	unrestricted	restricted	C0040	C0050
		£000s	£000s	£000s	£000s	£000s
<b>Basic own funds before deduction for participations in other financial sector</b>						
Ordinary share capital (gross of own shares)	R0010	118,578	118,578		—	
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	9,677,316	9,677,316			
Non-available surplus funds at group level	R0080	—	—			
Preference shares	R0090	—		—	—	—
Non-available preference shares at group level	R0100	—		—	—	—
Share premium account related to preference shares	R0110	—		—	—	—
Non-available share premium account related to preference shares at group level	R0120	—		—	—	—
Reconciliation reserve	R0130	(1,728,714)	(1,728,714)			
Subordinated liabilities	R0140	2,997,676		—	2,997,676	—
Non-available subordinated liabilities at group level	R0150	—		—	—	—
An amount equal to the value of net deferred tax assets	R0160	547,047				547,047
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	—	—	—	—	—
<b>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</b>						
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	—				
<b>Deductions</b>						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230	1,093,099	1,093,099	—	—	—
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	—	—	—	—	—
<b>Total deductions</b>	R0280	1,093,099	1,093,099	—	—	—
<b>Total basic own funds after deductions</b>	R0290	10,888,808	7,344,085	—	2,997,676	547,047
<b>Ancillary own funds</b>						
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	—		—		—
<b>Total ancillary own funds</b>	R0400	—		—		—
<b>Own funds of other financial sectors</b>						
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies – total	R0410	1,004,482	1,004,482	—	—	—
Institutions for occupational retirement provision	R0420	—	—	—	—	—
Non regulated entities carrying out financial activities	R0430	88,617	88,617	—	—	—
<b>Total own funds of other financial sectors</b>	R0440	1,093,099	1,093,099	—	—	—
<b>Own funds when using the D&amp;A, exclusively or in combination of method 1</b>						
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	10,888,808	7,344,085	—	2,997,676	547,047
Total available own funds to meet the minimum consolidated group SCR	R0530	10,341,761	7,344,085	—	2,997,676	
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	10,888,808	7,344,085	—	2,997,676	547,047
Total eligible own funds to meet the minimum consolidated group SCR	R0570	7,670,272	7,344,085	—	326,187	
<b>Minimum consolidated Group SCR</b>	R0610	1,630,934				
<b>Ratio of Eligible own funds to Minimum Consolidated Group SCR</b>	R0650	4.70				
<b>Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&amp;A)</b>	R0660	11,981,907	8,437,184	—	2,997,676	547,047
<b>Group SCR</b>	R0680	7,140,771				

<b>Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&amp;A</b>	R0690	1.68	
<b>Reconciliation reserve</b>			
Excess of assets over liabilities	R0700	15,809,668	
Own shares (held directly and indirectly)	R0710	127,287	
Foreseeable dividends, distributions and charges	R0720	—	
Other basic own fund items	R0730	10,712,945	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	6,698,150	
Other non available own funds	R0750	—	
<b>Reconciliation reserve</b>	R0760	(1,728,714)	
<b>Expected profits</b>			
Expected profits included in future premiums (EPIFP) - Life business	R0770	160,777	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	—	
<b>Total Expected profits included in future premiums (EPIFP)</b>	R0790	160,777	

## S.25.03.22 Solvency Capital Requirement - for groups on Full Internal Models (Unaudited) - M&amp;G plc

Unique number of component	Component description	Calculation of the Solvency Capital Requirement t C0030 £000s
C0010	C0020	
103	Interest rate risk	1,157,547
104	Equity risk	2,942,266
106	Property risk	1,228,445
107	Spread risk	2,622,797
108	Concentration risk	—
109	Currency risk	2,091,481
110	Other market risk	—
199	Diversification within market risk	(4,671,105)
203	Other counterparty risk	140,239
299	Diversification within counterparty risk	—
301	Mortality risk	24,380
302	Longevity risk	1,663,768
303	Disability-morbidity risk	17,529
304	Mass lapse	732,486
305	Other lapse risk	564,019
306	Expense risk	1,124,422
308	Life catastrophe risk	13,740
309	Other life underwriting risk	—
399	Diversification within life underwriting risk	(2,678,623)
505	Other non-life underwriting risk	—
599	Diversification within non-life underwriting risk	—
701	Operational risk	1,339,214
801	Other risk	—
802	Loss-absorbing capacity of technical provisions	—
803	Loss-absorbing capacity of deferred tax	(378,503)
804	Other adjustments	—

**S.25.03.22 Solvency Capital Requirement - for groups on Full Internal Models (Unaudited) - M&G plc**

		C0100
		£000s
Total undiversified components	R0110	7,934,102
Diversification	R0060	(1,448,467)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	—
Solvency capital requirement excluding capital add-on	R0200	6,485,635
Capital add-ons already set	R0210	—
Solvency capital requirement	R0220	7,140,771
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	(20,773,611)
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	(378,503)
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	2,338,655
Total amount of Notional Solvency Capital Requirement for ring fenced funds	R0420	1,581,125
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	2,565,855
Diversification effects due to RFF nSCR aggregation for article 304	R0440	—
Minimum consolidated group solvency capital requirement	R0470	1,630,934
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	655,136
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	596,248
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	58,888
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 - M&amp;G plc

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	Criteria of influence						Inclusion in the scope of Group supervision	Date of decision if art. 214 is applied	Group solvency calculation
								% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation			
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	254900TWUJUQ 44TQJY84GB50 235	Specific Code	Aldwych 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
KY	254900TWUJUQ 44TQJY84KY201 31	Specific Code	ANRP II (AIV VI FC), L.P.	Other	LP	Non-mutual		43%	43%	43%		Significant	43%	Yes		Method 1: Adjusted equity method
GB	254900TWUJUQ 44TQJY84GB20 096	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
GB	254900TWUJUQ 44TQJY84GB20 097	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
JE	254900TWUJUQ 44TQJY84JE502 76	Specific Code	Caisson (Jersey) 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	213800XWJKMT GW5FFF24	LEI	Canada Property (Trustee) No 1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	213800JPPWE5 YGH42O41	LEI	Canada Property Holdings Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
JE	254900TWUJUQ 44TQJY84JE200 81	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	254900TWUJUQ 44TQJY84JE200 82	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	2138006UA6CY BYSPN279	LEI	Carroway Guildford General Partner Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual	100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation
JE	549300E91F143 HXEDI41	LEI	Carroway 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	549300ZB0ISLC ZDBQ738	LEI	Carroway Guildford Limited Partnership	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP	Non-mutual	100%	100%	50%	Dominant	100%	Yes	Method 1: Full consolidation
GB	549300610NIQN PYNUW41	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
US	254900TWUJUQ 44TQJY84US30 047	Specific Code	Centre Capital Non-Qualified Investors IV AIV-ELS, L.P.	Other	LP	Non-mutual	88%	88%	88%	Significant	88%	Yes	Method 1: Adjusted equity method
US	254900TWUJUQ 44TQJY84US30 049	Specific Code	Centre Capital Non-Qualified Investors IV, L.P.	Other	LP	Non-mutual	63%	63%	63%	Significant	63%	Yes	Method 1: Adjusted equity method
US	254900TWUJUQ 44TQJY84US30 050	Specific Code	Centre Capital Non-Qualified Investors V AIV-ELS LP	Other	LP	Non-mutual	58%	58%	58%	Significant	58%	Yes	Method 1: Adjusted equity method
US	254900TWUJUQ 44TQJY84US30 051	Specific Code	Centre Capital Non-Qualified Investors V LP	Other	LP	Non-mutual	61%	61%	61%	Significant	61%	Yes	Method 1: Adjusted equity method
JE	254900TWUJUQ 44TQJY84JE100 16	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	254900TWUJUQ 44TQJY84JE100 17	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	254900TWUJUQ 44TQJY84JE100 18	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
GB	213800B75FFDF BLCAC52	LEI	Clear View Ass ured Limited	Other	Ltd	Non-mutual	100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method

GB	254900TWUJUQ 44TQJY84GB20 098	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	254900TWUJUQ 44TQJY84GB20 099	Specific Code	Cribbs Causeway Merchants Association Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual	20%	100%	25%	Significant	100%	Yes	Method 1: Full consolidation	
GB	254900TWUJUQ 44TQJY84GB20 086	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	
IE	254900TWUJUQ 44TQJY84IE502 23	Specific Code	Debt Investments Opportunities IV	Other	DAC	Non-mutual	26%	26%	26%	Significant	26%	Yes	Method 1: Adjusted equity method	
GB	254900TWUJUQ 44TQJY84GB50 143	Specific Code	Digital Infrastructure Investment Partners GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	65%	65%	65%	Dominant	65%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 144	Specific Code	Digital Infrastructure Investment Partners GP1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 145	Specific Code	Digital Infrastructure Investment Partners SLP GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 146	Specific Code	Digital Infrastructure Investment Partners SLP GP1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 147	Specific Code	Digital Infrastructure Investment Partners SLP GP2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
LU	549300N03E23 HGSY7R08	LEI	Eastspring Investments - Asian High Yield Bond Fund	Other	SICAV- FIS	Non-mutual	24%	24%	24%	Significant	24%	Yes	Method 1: Adjusted equity method	
LU	549300IYMZOM GU289Y25	LEI	Eastspring Investments - Asian Local Bond Fund	Other	SICAV- FIS	Non-mutual	95%	95%	95%	Dominant	95%	Yes	Method 1: Adjusted equity method	
LU	549300T9BURP 81FE3140	LEI	Eastspring Investments - Asian Total Return Bond Fund	Other	SICAV- FIS	Non-mutual	99%	99%	99%	Dominant	99%	Yes	Method 1: Adjusted equity method	

LU	549300H7BXWY 84BG9B41	LEI	Eastspring Investments - China Bond Fund	Other	SICAV-FIS	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
LU	5493000SLUS5I G5VX635	LEI	Eastspring Investments Asian Bond Fund	Other	SICAV-FIS	Non-mutual		48%	48%	48%	Dominant	48%	Yes	Method 1: Adjusted equity method
LU	254900TWUJUQ 44TQJY84LU60 016	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
GB	213800OCGUPJ 7PBNHX53	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
GB	254900TWUJUQ 44TQJY84GB201 35	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	254900TWUJUQ 44TQJY84LU502 48	Specific Code	Elle 14 S.a.r.l company	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Sarl	Non-mutual		45%	100%	45%	Dominant	100%	Yes	Method 1: Full consolidation
IT	81560033DE855 7604E62	LEI	Elle 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	254900TWUJUQ 44TQJY84GB50 155	Specific Code	Embankment GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 156	Specific Code	Embankment Nominee 1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 157	Specific Code	Embankment Nominee 2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
KY	254900TWUJUQ 44TQJY84KY502 26	Specific Code	Episode Inc	Other	LP	Non-mutual		93%	93%	93%	Dominant	93%	Yes	Method 1: Adjusted equity method
GB	213800WR9O2V Z41XUX41	LEI	Falan GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules

US	254900TWUJUQ 44TQJY84US20 091	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	
IE	549300G2MFQ6 ONSJ0W66	LEI	Folios III Designated Activity Company	Other	DAC	Non-mutual	49%	49%	49%	Dominant	49%	Yes	Method 1: Adjusted equity method	
IE	549300ZHKEZL WLH2E469	LEI	Folios IV Designated Activity Company	Other	DAC	Non-mutual	66%	66%	66%	Dominant	66%	Yes	Method 1: Adjusted equity method	
GB	254900TWUJUQ 44TQJY84GB201 34	Specific Code	Fort Kinnaird GP Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual	50%	50%	50%	Significant	50%	Yes	Method 1: Proportional consolidation	
GB	254900TWUJUQ 44TQJY84GB10 015	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	549300KNNBBC Z5TI4093	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	2138007FBAWN LE1HNA54	LEI	Fundsdirect ISA Nominees Limited	Other	Ltd	Non-mutual	100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method	
GB	213800XQZARY TKRCCL88	LEI	Fundsdirect Nominees Limited	Other	Ltd	Non-mutual	100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method	
GB	254900TWUJUQ 44TQJY84GB50 118	Specific Code	Genny GP 1 LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 117	Specific Code	Genny GP 2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 107	Specific Code	Genny GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 163	Specific Code	George Digital GP 1 LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 160	Specific Code	George Digital GP 2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules

GB	254900TWUJUQ 44TQJY84GB50 159	Specific Code	George Digital GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800YQHBRCI ZKMPL71	LEI	GGE GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 148	Specific Code	Green GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800XSQZKI3 OYTHK77	LEI	Greenpark (Reading) General Partner Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
CA	254900TWUJUQ 44TQJY84CA50 286	Specific code	GTA W21 GP Inc.	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Inc	Non-mutual		50%	50%	50%	Dominant	50%	Yes	Method 1: Full consolidation
CA	254900TWUJUQ 44TQJY84CA50 287	Specific code	GTA W21 LP	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP	Non-mutual		90%	90%	90%	Dominant	90%	Yes	Method 1: Full consolidation
US	254900TWUJUQ 44TQJY84US201 51	Specific Code	HCR Canary Fund	Other	LP	Non-mutual		99%	99%	99%	Dominant	99%	Yes	Method 1: Adjusted equity method
GB	254900TWUJUQ 44TQJY84GB50 254	Specific Code	ICP (Finch) GP 1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 255	Specific Code	ICP (Finch) GP 2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 253	Specific Code	ICP (Finch) GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800TMTEJ2B 9Y8SL32	LEI	IFDL Personal Pensions Limited	Other	Ltd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	254900TWUJUQ 44TQJY84GB50 122	Specific Code	Infracapital (AIRI) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 158	Specific Code	Infracapital (Belmond) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 016	Specific Code	Infracapital (Bio) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules

GB	254900TWUJUQ 44TQJY84GB50 187	Specific Code	Infracapital (Churchill) GP 1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 188	Specific Code	Infracapital (Churchill) GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800ORMGBX 88UTID14	LEI	Infracapital (GC) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 189	Specific Code	Infracapital (Gigaclear) GP 1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 190	Specific Code	Infracapital (Gigaclear) GP 2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 191	Specific Code	Infracapital (Gigaclear) GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 119	Specific Code	Infracapital (IT PPP) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 192	Specific Code	Infracapital (Leo) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 208	Specific Code	Infracapital (Novos) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 123	Specific Code	Infracapital (Sense) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800I6MY8I5R ZE3H33	LEI	Infracapital (TLSB) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 126	Specific Code	Infracapital (TLSB) SLP LP	Other	LP	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	213800RS1K1AL XHQSM37	LEI	Infracapital DF II GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800G4AW9FI OTNDW05	LEI	Infracapital DF II Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800HCVFJD NNWBJV60	LEI	Infracapital Employee Feeder GP 1 LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules

GB	2138002RFR4BT EF7YU47	LEI	Infracapital Employee Feeder GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800P1OWQB RF124Y37	LEI	Infracapital F1 GP2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	2138001NDC2C XRVBQK60	LEI	Infracapital F2 GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	2138005WNCQJ 92OOSA81	LEI	Infracapital F2 GP1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800OB4PR94 BXKJ236	LEI	Infracapital GP 1 LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800JRZM72U GV6CI51	LEI	Infracapital GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 167	Specific Code	Infracapital Greenfield DF GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 142	Specific Code	Infracapital Greenfield Partners 1 SLP GP1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 150	Specific Code	Infracapital Greenfield Partners 1 SLP GP2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 203	Specific Code	Infracapital Greenfield Partners I Employee Feeder LP	Credit institution, investment firm and financial institution	LP	Non-mutual	Financial Conduct Authority	76%	76%	76%	Dominant	76%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 034	Specific Code	Infracapital Greenfield Partners I GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	549300WMS3G J41QCBH92	LEI	Infracapital Greenfield Partners I LP	Other	LP	Non-mutual		22%	22%	22%	Dominant	22%	Yes	Method 1: Adjusted equity method
GB	254900TWUJUQ 44TQJY84GB50 149	Specific Code	Infracapital Greenfield Partners I SLP EF GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 204	Specific Code	Infracapital Greenfield Partners I SLP LP	Credit institution, investment firm and financial institution	LP	Non-mutual	Financial Conduct Authority	36%	36%	36%	Dominant	36%	Yes	Method 1: Sectoral rules



GB	254900TWUJUQ 44TQJY84GB50 205	Specific Code	Infracapital Greenfield Partners I SLP2 LP	Credit institution, investment firm and financial institution	LP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 161	Specific Code	Infracapital Greenfield Partners I Subholdings GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
LU	254900TWUJUQ 44TQJY84LU502 09	Specific Code	Infracapital Greenfield Partners II GP S.à r.l	Credit institution, investment firm and financial institution	Sarl	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 220	Specific Code	Infracapital Greenfield Partners II Subholdings (Euro) GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 221	Specific Code	Infracapital Greenfield Partners II Subholdings (Sterling) GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 210	Specific Code	Infracapital Greenfield Partners II Subholdings GP1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 211	Specific Code	Infracapital Greenfield Partners II Subholdings GP2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	549300Y26HER4 GS3N207	LEI	Infracapital Partners II LP	Other	LP	Non-mutual		26%	26%	26%	Dominant	26%	Yes	Method 1: Adjusted equity method
GB	254900TWUJUQ 44TQJY84GB50 162	Specific Code	Infracapital Partners II Subholdings GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
LU	254900TWUJUQ 44TQJY84LU501 52	Specific Code	Infracapital Partners III GP S.à r.l	Credit institution, investment firm and financial institution	Sarl	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 193	Specific Code	Infracapital Partners III Subholdings (Euro) GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 194	Specific Code	Infracapital Partners III Subholdings (Sterling) GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 195	Specific Code	Infracapital Partners III Subholdings GP1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules

GB	254900TWUJUQ 44TQJY84GB50 196	Specific Code	Infracapital Partners III Subholdings GP2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	5493007NCUF3 2CEV5206	LEI	Infracapital Partners LP	Other	LP	Non-mutual		33%	33%	33%	Dominant	33%	Yes	Method 1: Adjusted equity method
GB	254900TWUJUQ 44TQJY84GB50 041	Specific Code	Infracapital Sisu GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800DJO6UH 75ALMK76	LEI	Infracapital SLP II LP	Credit institution, investment firm and financial institution	LP	Non-mutual	Financial Conduct Authority	40%	40%	40%	Dominant	40%	Yes	Method 1: Sectoral rules
GB	213800487VRYD WHTPP07	LEI	Infracapital SLP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	2138007725YD6 5U15F53	LEI	Innisfree M&G PPP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	35%	35%	35%	Significant	35%	Yes	Method 1: Sectoral rules
GB	213800NMZJ4Z RQQFID11	LEI	Investment Funds Direct Group Limited	Other	Ltd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	213800NZUBPU 84ODP247	LEI	Investment Funds Direct Holdings Limited	Other	Ltd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	2138008K7KVO A2SVGD38	LEI	Investment Funds Direct Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
BM	254900TWUJUQ 44TQJY84BM50 251	Specific Code	Kiskadee Latitude Fund Limited	Other	Ltd	Non-mutual		95%	95%	95%	Significant	95%	Yes	Method 1: Adjusted equity method
KR	254900TWUJUQ 44TQJY84KR60 030	Specific Code	LB Professional Investors Private Real Estate Fund No. 10	Other	REF	Non-mutual		23%	23%	23%	Significant	23%	Yes	Method 1: Adjusted equity method
JE	254900TWUJUQ 44TQJY84JE201 46	Specific Code	Leadenhall Unit Trust	Other	UT	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	549300U1Z88JJ D6OW296	LEI	LF Prudential Risk Managed Active 2	Other	OEIC	Non-mutual		22%	22%	22%	Significant	22%	Yes	Method 1: Adjusted equity method
GB	5493006W7LY2 8KGUSB46	LEI	LF Prudential Risk Managed Active 3	Other	OEIC	Non-mutual		23%	23%	23%	Significant	23%	Yes	Method 1: Adjusted equity method
GB	549300LQFO5U KO80O650	LEI	LF Prudential Risk Managed Active 4	Other	OEIC	Non-mutual		31%	31%	31%	Dominant	31%	Yes	Method 1: Adjusted equity method
GB	549300UI6ET9T LZ65L17	LEI	LF Prudential Risk Managed Active 5	Other	OEIC	Non-mutual		30%	30%	30%	Dominant	30%	Yes	Method 1: Adjusted equity method

GB	5493006Y42NL3 VIZDX15	LEI	LF Prudential Risk Managed Passive Fund 1	Other	OEIC	Non-mutual		41%	41%	41%	Dominant	41%	Yes	Method 1: Adjusted equity method
IE	5493006LDY514 K1U7Y37	LEI	Lion Credit Opportunity Fund Public Limited Company - Credit Opportunity Fund XV	Other	PLC	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	254900TWUJUQ 44TQJY84GB50 218	Specific Code	London Green Investments II SLP GP1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 219	Specific Code	London Green Investments II SLP GP2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 222	Specific Code	London Green Investments II SLP1 Employee Feeder GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 212	Specific Code	London Green Investments II SLP2 GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 169	Specific Code	London Stone Investments F3 Employee Feeder GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 170	Specific Code	London Stone Investments F3 I Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 171	Specific Code	London Stone Investments F3 II Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 168	Specific Code	London Stone Investments F3 SP GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900CDDVFX OR4ATY88	LEI	M&G (ACS) BlackRock Japan Equity Fund	Other	ACS	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	2549008QAICTA LSF5N32	LEI	M&G (ACS) BlackRock UK All Share Equity Fund	Other	ACS	Non-mutual		99%	99%	99%	Dominant	99%	Yes	Method 1: Adjusted equity method
GB	2549000OA1XD SVUR6K20	LEI	M&G (ACS) BlackRock US Equity Fund	Other	ACS	Non-mutual		99%	99%	99%	Dominant	99%	Yes	Method 1: Adjusted equity method
GB	254900OFLZLNZ HDM0BQ98	LEI	M&G (ACS) China Equity Fund	Other	ACS	Non-mutual		97%	97%	97%	Dominant	97%	Yes	Method 1: Adjusted equity method
GB	254900S3QVE6 CT74YF21	LEI	M&G (ACS) China Fund	Other	ACS	Non-mutual		97%	97%	97%	Dominant	97%	Yes	Method 1: Adjusted equity method

GB	254900M0KXL6 OCKU1D38	LEI	M&G (ACS) Earnest Partners US Small Cap Value Fund	Other	ACS	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	254900K27UHP BHVEQN67	LEI	M&G (ACS) Granahan US Small Cap Growth Fund	Other	ACS	Non-mutual	0	100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	254900O023CS 49OGK760	LEI	M&G (ACS) Japan Equity Fund	Other	ACS	Non-mutual	0	99%	99%	99%	Dominant	99%	Yes	Method 1: Adjusted equity method
GB	254900OQ8IOB OGWSAF92	LEI	M&G (ACS) Japan Smaller Companies Fund	Other	ACS	Non-mutual		98%	98%	98%	Dominant	98%	Yes	Method 1: Adjusted equity method
GB	254900BIHCKC YLH8R136	LEI	M&G (ACS) UK Listed Equity Fund	Other	ACS	Non-mutual		97%	97%	97%	Dominant	97%	Yes	Method 1: Adjusted equity method
GB	254900SJP8AEJ WQOHR04	LEI	M&G (ACS) UK Listed Mid Cap Equity Fund	Other	ACS	Non-mutual		99%	99%	99%	Dominant	99%	Yes	Method 1: Adjusted equity method
GG	213800BKDGDF PWZ9I567	LEI	M&G (Guernsey) Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
LU	2549007K6TQB RKISX148	LEI	M&G (Lux) Emerging Markets Corporate ESG Bond Fund	Credit institution, investment firm and financial institution	SICAV	Non-mutual	Financial Conduct Authority	57%	57%	57%	Dominant	57%	Yes	Method 1: Sectoral rules
LU	254900OTDERZ X24Y9K59	LEI	M&G (Lux) Euro ex UK Index Fund	Other	FCP	Non-mutual		99%	99%	99%	Dominant	99%	Yes	Method 1: Adjusted equity method
LU	2549000GWISX VMHE5S26	LEI	M&G (Lux) Europe ex UK Equity fund	Other	SICAV	Non-mutual		99%	99%	99%	Dominant	99%	Yes	Method 1: Adjusted equity method
LU	254900VWNGK 5PEWW3D62	LEI	M&G (Lux) Global Enhanced Equity Premia Fund	Credit institution, investment firm and financial institution	SICAV	Non-mutual	Financial Conduct Authority	99%	99%	99%	Dominant	99%	Yes	Method 1: Sectoral rules
LU	254900TWUJUQ 44TQJY84LU502 49	Specific Code	M&G (Lux) Managed Cautious (Euro) Fund	Other	FCP	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
LU	254900TWUJUQ 44TQJY84LU502 50	Specific Code	M&G (Lux) Managed Growth (Euro) Fund	Other	FCP	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
LU	254900YROMKY VD5GWK75	LEI	M&G (Lux) Pan European Smaller Comp fund	Other	SICAV	Non-mutual		98%	98%	98%	Dominant	98%	Yes	Method 1: Adjusted equity method
LU	2549008TOGIAF CGXB549	LEI	M&G (Lux) Reserved Investment Fund (2), SCA SICAV-RAIF	Credit institution, investment firm and financial institution	RAIF	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules

LU	254900TWUJUQ 44TQJY84LU502 30	Specific Code	M&G (Lux) Reserved Investment Funds (2) GP S.à.r.l	Credit institution, investment firm and financial institution	SARL	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
LU	2549008EAXUX HI20FY34	LEI	M&G (Lux) Sterling Liquidity Fund	Other	FCP	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
LU	254900JKCO00 UZ0A2X81	LEI	M&G (Lux) Sustainable Optimal Income Bond Fund	Credit institution, investment firm and financial institution	SICAV	Non-mutual	Financial Conduct Authority	98%	98%	98%	Dominant	98%	Yes	Method 1: Sectoral rules
LU	254900TWUJUQ 44TQJY84LU502 33	Specific Code	M&G Alternatives CV SCSp	Credit institution, investment firm and financial institution	SCSP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
LU	254900TWUJUQ 44TQJY84LU502 31	Specific Code	M&G Alternatives GP Sarl	Credit institution, investment firm and financial institution	SARL	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	549300ZIIULAZ VZYPH61	LEI	M&G Alternatives Investment Management Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
LU	2549006X8MTR 4091IG44	LEI	M&G Alternatives, SCSp – RAIF – 2020 Asian PE Fund	Other	SCSp	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
LU	254900JLAF6N N4RXSZ93	LEI	M&G Alternatives, SCSp – RAIF – 2020 European PE Fund	Other	SCSp	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
LU	2549005TYIYKU B5L3L85	LEI	M&G Alternatives, SCSp – RAIF – 2020 PE Co- Investment Fund	Other	SCSp	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
LU	254900ODTN3H XEDQ4L14	LEI	M&G Alternatives, SCSp - RAIF - 2021 North American Fund	Other	SCSp	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	254900JCJYFX CFS5PX18	LEI	M&G Alternatives, SCSp – RAIF - 2021 PE Impact Fund	Other	SCSp	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
LU	254900I97VW88 5Q8IE19	LEI	M&G Alternatives, SCSp – RAIF – 2022 Global PE Fund	Other	SCSP	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method

LU	254900K88ZC0 STP3J715	LEI	M&G Alternatives, SCSp – RAIF – 2022 PE Co- Investment Fund	Other	SCSP	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
LU	549300GTB435 DIFOTP40	LEI	M&G Asia Property Fund	Other	SICAV- FIS	Non-mutual		45%	45%	45%	Dominant	45%	Yes	Method 1: Adjusted equity method
GB	25490048UTM1 CRT6MM56	LEI	M&G Better Health Solutions Fund	Other	OEIC	Non-mutual		94%	94%	94%	Dominant	94%	Yes	Method 1: Adjusted equity method
GB	254900PI3TBT 3ZMF252	LEI	M&G BlackRock Canada Equity Fund	Other	ACS	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	254900LEWBRJ PCXWYE45	LEI	M&G BlackRock UK 200 Equity Fund	Other	ACS	Non-mutual		99%	99%	99%	Dominant	99%	Yes	Method 1: Adjusted equity method
LU	254900OIH9QJ5 KEZ5K26	LEI	M&G Catalyst Capital Fund	Other	RAIF	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
LU	254900QD8X6U PZZHK340	LEI	M&G Catalyst Credit Fund	Other	RAIF	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	254900TWUJUQ 44TQJY84GB50 285	Specific code	M&G Catalyst Sustainable Agriculture GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	2549003LARJL 3KL7Z50	LEI	M&G Climate Solutions Fund	Other	OEIC	Non-mutual		55%	55%	55%	Dominant	55%	Yes	Method 1: Adjusted equity method
GB	254900TWUJUQ 44TQJY84GB50 184	Specific Code	M&G Corporate Holdings Limited	Mixed financial holding company as defined in Article 212 (1)(h) of Directive 2009/138/EC	Ltd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation
GB	254900TWUJUQ 44TQJY84GB50 185	Specific Code	M&G Corporate Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation
GB	549300E9W63X 1E5A3N24	LEI	M&G Credit Income Investment Trust plc	Other	PLC	Non-mutual		22%	22%	22%	Significant	22%	Yes	Method 1: Adjusted equity method
GB	549300KBTRW WDKVV0J54	LEI	M&G Dividend Fund	Other	OEIC	Non-mutual		51%	51%	51%	Dominant	51%	Yes	Method 1: Adjusted equity method
GB	2549005SE8FSL 4SH8L25	LEI	M&G Emerging Markets Monthly Income Fund	Credit institution, investment firm and financial institution	OEIC	Non-mutual	Financial Conduct Authority	93%	93%	93%	Dominant	93%	Yes	Method 1: Sectoral rules
LU	549300FH80NG SGJZ6T14	LEI	M&G European High Yield Credit Investment Fund	Other	Part I UCITS SICAV	Non-mutual		26%	26%	26%	Significant	26%	Yes	Method 1: Adjusted equity method

LU	254900JVCN2X 7KUEZE07	LEI	M&G European Living Property Fund SCSP, SICAV-RAIF	Other	RAIF	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
LU	549300FLN5QW VQGRGQ35	LEI	M&G European Property Fund SICAV-FIS	Other	SICAV- FIS	Non-mutual		30%	30%	30%	Significant	30%	Yes	Method 1: Adjusted equity method
GB	213800TFNC2ZY HSGTN11	LEI	M&G FA Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	5493001PKI55Q LQ0ZH39	LEI	M&G Feeder of Property Portfolio	Other	OEIC	Non-mutual		49%	49%	49%	Dominant	49%	Yes	Method 1: Adjusted equity method
GB	549300FZ6A1KP BVDIL49	LEI	M&G Financial Services Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 267	Specific Code	M&G Fitzrovia 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: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 266	Specific Code	M&G Fitzrovia 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: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 270	Specific Code	M&G Fitzrovia 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: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 268	Specific Code	M&G Fitzrovia 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: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 269	Specific Code	M&G Fitzrovia 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: Sectoral rules
GB	213800R8L6E3X PVVFL89	LEI	M&G Founders 1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900L5KJ92P YY0CB27	LEI	M&G Funds (1) Asia Pacific (ex Japan) Equity Fund	Other	OEIC	Non-mutual		96%	96%	96%	Dominant	96%	Yes	Method 1: Adjusted equity method
GB	2549001QJVUF C9H4LP66	LEI	M&G Funds (1) BlackRock Asia Pacific (ex Japan) Equity Fund	Other	OEIC	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method

GB	254900EFNPIQC EMO1Q61	LEI	M&G Funds (1) BlackRock Emerging Markets Equity Fund	Other	OEIC	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	254900EHZTSA SQWHO955	LEI	M&G Funds (1) GSAM Global Emerging Market Equity Fund	Other	OEIC	Non-mutual		99%	99%	99%	Dominant	99%	Yes	Method 1: Adjusted equity method
GB	254900Q1W4SC QPK06L03	LEI	M&G Funds (1) Invesco Global Emerging Markets Equity Fund	Other	OEIC	Non-mutual		99%	99%	99%	Dominant	99%	Yes	Method 1: Adjusted equity method
GB	254900ISIO65W HHWL536	LEI	M&G Funds (1) Lazard Global Emerging Markets Equity Fund	Other	OEIC	Non-mutual		99%	99%	99%	Dominant	99%	Yes	Method 1: Adjusted equity method
GB	254900UERFUF B76JXW26	LEI	M&G Funds (1) MFS Global Emerging Markets Equity Fund	Other	OEIC	Non-mutual		99%	99%	99%	Dominant	99%	Yes	Method 1: Adjusted equity method
GB	2549007YZKBG ML6UDQ05	LEI	M&G Funds (1) Sterling Investment Grade Corporate Bond Fund	Other	OEIC	Non-mutual		77%	77%	77%	Dominant	77%	Yes	Method 1: Adjusted equity method
GB	254900NAETYK 30ZM7T27	LEI	M&G Funds (1) US Corporate Bond Fund	Other	OEIC	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	54900C4NWW8L 6AX5D58	LEI	M&G Funds (1) US Short Duration Corporate Bond Fund	Other	OEIC	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	254900EMORRQ VUDFLG70	LEI	M&G Funds (1) Wellington Impact Bond Fund	Other	OEIC	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
KY	254900TWUJUQ 44TQJY84KY50 049	Specific Code	M&G General Partner Inc.	Credit institution, investment firm and financial institution	Inc	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	549300JXS02S DDJZH04	LEI	M&G Gilt & Fixed Interest Income Fund	Other	OEIC	Non-mutual		67%	67%	67%	Dominant	67%	Yes	Method 1: Adjusted equity method
GB	549300QWW7Y 806HSZO98	LEI	M&G Global High Yield Bond	Other	OEIC	Non-mutual		50%	50%	50%	Dominant	50%	Yes	Method 1: Adjusted equity method
GB	254900IJVXMO 64X82K96	LEI	M&G Global High Yield ESG Bond Fund	Other	OEIC	Non-mutual		32%	32%	32%	Dominant	32%	Yes	Method 1: Adjusted equity method



IN	5493006RTXZT NY4TOY32	LEI	M&G Global Services 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	213800OC9A05 8CFCB338	LEI	M&G Group Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GG	254900TWUJUQ 44TQJY84GG50 206	Specific Code	M&G Group PCC Limited	Non life insurance undertaking	Ltd	Non-mutual	Guernsey Financial Services Commission	100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation
GB	254900TWUJUQ 44TQJY84GB40 021	Specific Code	M&G Group Regulated Entity Holding Company Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Ltd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation
GB	213800KJZSL1C 19HEC43	LEI	M&G IMPPP 1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 052	Specific Code	M&G International Investments Nominees Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
CH	213800W2WT4V U6ZYLQ18	LEI	M&G International Investments Switzerland AG	Credit institution, investment firm and financial institution	AG	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	549300441KA9G 1F3EG24	LEI	M&G Investment Funds (10) - M&G Positive Impact Fund	Other	OEIC	Non-mutual		29%	29%	29%	Dominant	29%	Yes	Method 1: Adjusted equity method
GB	5493001XMX75 6I8DDX84	LEI	M&G Investment Funds (4) - M&G Episode Allocation Fund	Other	OEIC	Non-mutual		24%	24%	24%	Dominant	24%	Yes	Method 1: Adjusted equity method
GB	549300T4PWVN 5LFO1U25	LEI	M&G Investment Funds (7) - M&G Global Convertibles Fund	Other	OEIC	Non-mutual		74%	74%	74%	Dominant	74%	Yes	Method 1: Adjusted equity method
GB	BFM4HY1ZHOC H3K3E4934	LEI	M&G Investment Management Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
US	254900TWUJUQ 44TQJY84US501 97	Specific Code	M&G Investments (Americas) Inc.	Credit institution, investment firm and financial institution	Inc	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules

AU	254900TWUJUQ 44TQJY84AU50 198	Specific Code	M&G Investments (Australia) Pty Ltd	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
HK	213800ES49236 T3NQN10	LEI	M&G Investments (Hong Kong) Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
SG	21380025WDEG TPM9NX11	LEI	M&G Investments (Singapore) Pte. Ltd.	Credit institution, investment firm and financial institution	Pte Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
US	254900TWUJUQ 44TQJY84US50 214	Specific Code	M&G Investments (USA) Inc	Credit institution, investment firm and financial institution	Inc	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
JP	254900TWUJUQ 44TQJY84JP501 09	Specific Code	M&G Investments Japan Co., Ltd.	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
LU	549300VL49SA AQZU3D08	LEI	M&G Lux Emerging Markets Bond Fund	Other	SICAV	Non-mutual		60%	60%	60%	Dominant	60%	Yes	Method 1: Adjusted equity method
LU	213800KHFEP1L 58PDC25	LEI	M&G Luxembourg S.A.	Credit institution, investment firm and financial institution	SA	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800QNOSW GOPB5UV85	LEI	M&G Management Services Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800G466CC YQACXV49	LEI	M&G Nominees Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 177	Specific Code	M&G PFI 2018 GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 178	Specific Code	M&G PFI 2018 GP1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 179	Specific Code	M&G PFI 2018 GP2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 138	Specific Code	M&G PFI Carry Partnership 2016 LP	Credit institution, investment firm and financial institution	LP	Non-mutual	Financial Conduct Authority	25%	25%	25%	Significant	25%	Yes	Method 1: Sectoral rules
GB	549300MW6PS OJLF67Z41	LEI	M&G PFI partnership 2018 LP	Other	LP	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	213800E1NPBH4 KN1B443	LEI	M&G Platform Nominees Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules

GB	254900TWUJUQ 44TQJY84	LEI	M&G plc	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Plc	Non-mutual		#VALUE!	#VALUE!	#VALUE!		#VALUE!	Yes	Method 1: Full consolidation
GB	549300Y6XORUI OJCN851	LEI	M&G Property Portfolio	Other	OEIC	Non-mutual		88%	88%	88%	Dominant	88%	Yes	Method 1: Adjusted equity method
ES	254900TWUJUQ 44TQJY84ES501 16	Specific Code	M&G RE Espana, 2016, S.L.	Credit institution, investment firm and financial institution	S.L.	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 201	Specific Code	M&G RE UKEV (GP1) LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 207	Specific Code	M&G RE UKEV 1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	549300LJW34W AXTEOA73	LEI	M&G RE UKEV 1-A LP	Other	LP	Non-mutual		50%	50%	100%	Dominant	50%	Yes	Method 1: Adjusted equity method
SG	254900TWUJUQ 44TQJY84SG50 062	Specific Code	M&G Real Estate Asia Holding Company Pte. Ltd.	Credit institution, investment firm and financial institution	Pte Ltd	Non-mutual	Financial Conduct Authority	67%	67%	67%	Dominant	67%	Yes	Method 1: Sectoral rules
SG	213800FAISWO SU2EQK07	LEI	M&G Real Estate Asia PTE. Ltd.	Credit institution, investment firm and financial institution	Pte Ltd	Non-mutual	Financial Conduct Authority	67%	67%	67%	Dominant	67%	Yes	Method 1: Sectoral rules
FR	254900TWUJUQ 44TQJY84FR502 79	Specific Code	M&G Real Estate France SAS	Credit institution, investment firm and financial institution	SAS	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
LU	213800Z48ASVK SJTGD29	LEI	M&G Real Estate Funds Management S.à r.l.	Credit institution, investment firm and financial institution	Sarl	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
JP	213800VTT28ET 4O1PV50	LEI	M&G Real Estate Japan Co., Ltd.	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	67%	67%	67%	Dominant	67%	Yes	Method 1: Sectoral rules
KR	213800ZFUE19A BTOJS32	LEI	M&G Real Estate Korea Co., Ltd.	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	67%	67%	67%	Dominant	67%	Yes	Method 1: Sectoral rules
GB	2138006D2BQB 3YVJTC36	LEI	M&G Real Estate Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	549300780507A 2BMZB54	LEI	M&G Real Estate UK Enhanced Value LP	Other	LP	Non-mutual		50%	50%	28%	Dominant	50%	Yes	Method 1: Adjusted equity method

GB	254900TWUJUQ 44TQJY84GB50 172	Specific Code	M&G Real Estate UKEV (GP) LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800PIXU3LZ HV2BH48	LEI	M&G RED II Employee Feeder GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GG	213800Y7KFRAT ZJWC561	LEI	M&G RED II GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	2138006PPJJMA IS2CZ55	LEI	M&G RED II SLP GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	2138007GGNZ7 CY3HQ568	LEI	M&G RED II SLP LP	Credit institution, investment firm and financial institution	LP	Non-mutual	Financial Conduct Authority	28%	28%	28%	Significant	28%	Yes	Method 1: Sectoral rules
GB	213800IAVVN6B AG5IH60	LEI	M&G RED III Employee Feeder GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GG	2138009UE5XK GEEHPU69	LEI	M&G RED III GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800Q1F9BIQ YP4QU18	LEI	M&G RED III SLP GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	2138006NEQ1Q FBN5P262	LEI	M&G RED III SLP LP	Credit institution, investment firm and financial institution	LP	Non-mutual	Financial Conduct Authority	25%	25%	25%	Significant	25%	Yes	Method 1: Sectoral rules
GB	213800EJ6R6N CE8OL35	LEI	M&G RPF GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800RPN1JJW LQAHF37	LEI	M&G RPF Nominee 1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800CE63B2H UDSOH12	LEI	M&G RPF Nominee 2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	5493001JY2KC4 SJGF862	LEI	M&G Securities Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
LU	254900TWUJUQ 44TQJY84LU502 00	Specific Code	M&G SFF (CIP GP) Sàrl	Credit institution, investment firm and financial institution	Sàrl	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules

LU	254900TWUJUQ 44TQJY84LU501 99	Specific Code	M&G SFF (GP) Sárl	Credit institution, investment firm and financial institution	Sarl	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 217	Specific Code	M&G Shared Ownership GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 216	Specific Code	M&G Shared Ownership LP	Other	LP	Non-mutual		47%	47%	47%	Dominant	47%	Yes	Method 1: Adjusted equity method
IE	213800YJG88GK 1ZGI781	LEI	M&G SIF Management Company (Ireland) Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
LU	549300SZF5XQ Z8HA0W90	LEI	M&G Specialty Finance Fund (£) SCSp	Other	SCSP	Non-mutual		80%	80%	80%	Dominant	80%	Yes	Method 1: Adjusted equity method
IE	25490069MTXM BQLSZP16	LEI	M&G Sustainable Loan Fund Limited	Other	Ltd	Non-mutual		88%	88%	88%	Dominant	88%	Yes	Method 1: Adjusted equity method
GB	5493004JH8VR BPCP8118	LEI	M&G Sustainable Multi Asset Fund	Other	OEIC	Non-mutual		42%	42%	42%	Dominant	42%	Yes	Method 1: Adjusted equity method
GB	549300QCZ080 83QNMD56	LEI	M&G UK Companies Financing Fund II LP	Other	LP	Non-mutual		48%	48%	48%	Dominant	48%	Yes	Method 1: Adjusted equity method
LU	254900DI96BVB QRI6B31	LEI	M&G UK Mortgage Income Fund	Other	SCSp	Non-mutual		67%	67%	67%	Dominant	67%	Yes	Method 1: Adjusted equity method
LU	222100N879GX0 63S5I68	LEI	M&G UK Property Fund	Other	UT	Non-mutual		98%	98%	98%	Dominant	98%	Yes	Method 1: Adjusted equity method
GB	213800YHDS1M JDDQAY31	LEI	M&G UK Property GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800YODYXT A14V3G51	LEI	M&G UK Property Nominee 1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800CK6NBV YIQNNG81	LEI	M&G UK Property Nominee 2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
LU	549300YUFF2S 09Z74W50	LEI	M&G UK Residential Property Fund	Other	LP	Non-mutual		26%	26%	26%	Dominant	26%	Yes	Method 1: Adjusted equity method
GB	254900TWUJUQ 44TQJY84GB50 215	Specific Code	M&G UK Shared Ownership Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules

GB	254900TWUJUQ 44TQJY84GB50 175	Specific Code	M&G UKEV (SLP) General Partner LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 174	Specific Code	M&G UKEV (SLP) LP	Credit institution, investment firm and financial institution	LP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800CIQKFH6 G68V891	LEI	M&G Wealth Advice Limited	Other	Ltd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
LU	2549007Z6G132 MBVZY97	LEI	M&G (Lux) Glob al Funds	Credit institution, investment firm and financial institution	SA	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 283	Specific code	M&G Catalyst S ustainable Agri culture GP Mem ber No.1 Limite d	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 284	Specific code	M&G Catalyst S ustainable Agri culture GP Mem ber No.2 Limite d	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800N48QE66 BJB2G59	LEI	M&G Trustee C ompany Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800HB2OKV 3RRGOM15	LEI	M&G Wealth In vestments LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 229	Specific Code	M&G Wealth So lutions Limited	Other	Ltd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	254900TWUJUQ 44TQJY84GB201 01	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	254900TWUJUQ 44TQJY84GB20 087	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
ZA	254900TWUJUQ 44TQJY84ZA50 236	Specific Code	MandG Investment Managers (Pty) Ltd	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
NA	254900TWUJUQ 44TQJY84NA50 237	Specific Code	MandG Investments (Namibia) (Pty) Ltd	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	75%	75%	75%	Dominant	75%	Yes	Method 1: Sectoral rules
ZA	254900TWUJUQ 44TQJY84ZA50 238	Specific Code	MandG Investments Life South Africa (RF) Ltd	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules

ZA	254900TWUJUQ 44TQJY84ZA50 239	Specific Code	MandG Investments Southern Africa (Pty) Ltd	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	50%	50%	50%	Dominant	50%	Yes	Method 1: Sectoral rules
NA	254900TWUJUQ 44TQJY84NA50 240	Specific Code	MandG Investments Unit Trusts (Namibia) Ltd	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
ZA	254900TWUJUQ 44TQJY84ZA50 241	Specific Code	MandG Investments Unit Trusts South Africa (RF) Ltd	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB201 22	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	254900TWUJUQ 44TQJY84GB50 277	Specific Code	Mole GP1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 278	Specific Code	Mole GP2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
US	549300YWLHYE HTWMO231	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
KY	254900TWUJUQ 44TQJY84KY502 52	Specific Code	NB Gemini Fund LP	Other	LP	Non-mutual		99%	99%	99%	Dominant	99%	Yes	Method 1: Adjusted equity method
GB	254900TWUJUQ 44TQJY84GB201 02	Specific Code	Oaktree Business Park Limited	Other	Ltd	Non-mutual		14%	14%	100%	Dominant	14%	Yes	Method 1: Adjusted equity method
US	254900TWUJUQ 44TQJY84US20 092	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
GB	254900TWUJUQ 44TQJY84GB201 03	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%	100%	52%	Dominant	100%	Yes	Method 1: Full consolidation
GB	213800NMT7KIZ I54UZ47	LEI	Pacus (UK) Limited	Other	Ltd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
AU	2138004GW3J6 VILQSE49	LEI	PAP Trustee Pty Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Pty Ltd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation

GB	254900TWUJUQ 44TQJY84GB50 256	Specific Code	Pesca GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	549300E6K3IFR 1YO2242	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
IE	254900TWUJUQ 44TQJY84IE501 21	Specific Code	PGF Management Company (Ireland) Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	50%	50%	50%	Significant	50%	Yes	Method 1: Sectoral rules
US	254900TWUJUQ 44TQJY84US30 033	Specific Code	PPM America Private Equity Fund III LP	Other	LP	Non-mutual		50%	50%	50%	Significant	50%	Yes	Method 1: Adjusted equity method
US	254900TWUJUQ 44TQJY84US30 034	Specific Code	PPM America Private Equity Fund IV LP	Other	LP	Non-mutual		50%	50%	50%	Significant	50%	Yes	Method 1: Adjusted equity method
US	254900TWUJUQ 44TQJY84US30 036	Specific Code	PPM America Private Equity Fund V LP	Other	LP	Non-mutual		50%	50%	50%	Significant	50%	Yes	Method 1: Adjusted equity method
US	254900TWUJUQ 44TQJY84US30 060	Specific Code	PPM America Private Equity Fund VI LP	Other	LP	Non-mutual		40%	40%	40%	Significant	40%	Yes	Method 1: Adjusted equity method
US	254900TWUJUQ 44TQJY84US30 079	Specific Code	PPM America Private Equity Fund VII LP	Other	LP	Non-mutual		46%	46%	46%	Significant	46%	Yes	Method 1: Adjusted equity method
GB	213800IJ1DJ1A8 SPRW13	LEI	PPM Capital (Holdings) Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	2138008EIWH2 HN5RNH61	LEI	PPM Managers GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800KK1VVI7 BVEUZ22	LEI	PPM Managers Partnership CI VII (A) LP	Credit institution, investment firm and financial institution	LP	Non-mutual	Financial Conduct Authority	25%	25%	25%	Significant	25%	Yes	Method 1: Sectoral rules
HK	213800XHPOMV NJNNRG37	LEI	PPM Ventures (Asia) Limited (In liquidation)	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB201 10	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
GB	549300ZWWME MEK21F447	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



GB	254900TWUJUQ 44TQJY84GB40 020	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	254900TWUJUQ 44TQJY84GB40 024	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
SG	549300MWP9X NST2HB451	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
GB	549300GLZGEG EQY0TJ64	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
GB	CHW8NHK268S FPTV63Z64	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	254900TWUJUQ 44TQJY84GB201 15	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
LU	254900TWUJUQ 44TQJY84LU20 068	Specific Code	Prudential Credit Opportunities 1 S.a.r.l.	Other	Sarl	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
LU	222100OZLFOO 9GBVZU58	LEI	Prudential Credit Opportunities 2 S.a.r.l.	Other	Sarl	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
LU	254900TWUJUQ 44TQJY84LU501 05	Specific Code	Prudential Credit Opportunities GP S.a.r.l.	Credit institution, investment firm and financial institution	Sarl	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
LU	254900X2R2M2 HU17U040	LEI	Prudential Credit Opportunities SCSp	Other	SCSp	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method

GB	549300I8LYOK9 1HBX439	LEI	Prudential Distribution Limited	Other	Ltd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	2138008TOJ3P2 FHS5Y69	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	254900TWUJUQ 44TQJY84GB40 023	Specific Code	Prudential Financial Planning 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	21380029W1QO 8XLI7X06	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	213800Y2L3QQS 5JAGC68	LEI	Prudential GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	21380059C3DLS M1MGQ63	LEI	Prudential Greenfield GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800JN6JCW 3GKS5413	LEI	Prudential Greenfield GP1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	21380032Y83D1 GVVRG14	LEI	Prudential Greenfield GP2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	549300DN2BTJ 8BY6XW35	LEI	Prudential Greenfield LP	Other	LP	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	2138009YMR1CE 0641146	LEI	Prudential Holborn Life Limited	Mixed financial holding company as defined in Article 212 (1)(h) of Directive 2009/138/EC	Ltd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation
IE	635400T4W5MR QTBLGQ38	LEI	Prudential International Assurance plc	Life insurance undertaking	PLC	Non-mutual	Central Bank of Ireland	100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation
IE	635400Y2PVAB VU9VWJ83	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

LU	222100Z2QC2TI K1L4G32	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
GB	5493001GSK4H F84IOB02	LEI	Prudential Lifetime Mortgages Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
LU	222100DYHNYV U5OHZ592	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	254900TWUJUQ 44TQJY84LU501 40	Specific Code	Prudential Loan Investments GP S.a.r.l	Credit institution, investment firm and financial institution	Sarl	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
LU	222100I72T0C6Y Y58X29	LEI	Prudential Loan Investments SCSp	Other	SCSp	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	549300CWGK2Z W5YDGJ27	LEI	Prudential Pensions Limited	Life insurance undertaking	Ltd	Non-mutual	Prudential Regulation Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation
PL	213800LX1ZMH6 DNFQ324	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
GB	213800IIA1AW1 VRTPK64	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	213800SM1K55I RFQEA45	LEI	Prudential Property Investment Managers Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	2138001KLYON8 RC5KU34	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	2138008ZHAM1 AWMXDI41	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	21380036PITSKI CBM891	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	213800DMFHM9 TUERL898	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
GB	254900TWUJUQ 44TQJY84GB40 010	Specific Code	Prudential Staff Pensions Limited	Other	Ltd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	254900TWUJUQ 44TQJY84GB201 17	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	254900TWUJUQ 44TQJY84GB201 16	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	254900TWUJUQ 44TQJY84GB201 19	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	254900TWUJUQ 44TQJY84GB201 20	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	2138006YAP843 6IV7P84	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	549300VDPV8Q UEZVO116	LEI	Prudential Unit Trusts Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800M6IQ53U GCHF876	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	213800IOOJ2U W73HST28	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	254900TWUJUQ 44TQJY84GB50 271	Specific Code	RADS GAMMA LIMITED	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules

GB	254900TWUJUQ 44TQJY84GB50 272	Specific Code	RADS OMEGA LIMITED	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
US	254900TWUJUQ 44TQJY84US20 093	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	254900TWUJUQ 44TQJY84GB201 53	Specific Code	RD Park (Hoddesdon Phase 1) Management Company Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		64%	100%	64%	Dominant	100%	Yes	Method 1: Full consolidation
LU	254900TWUJUQ 44TQJY84LU502 80	Specific Code	responsAbility Agriculture Partners SLP	Credit institution, investment firm and financial institution	SLP	Non-mutual	Financial Conduct Authority	61%	61%	61%	Dominant	61%	Yes	Method 1: Sectoral rules
LU	222100NVSLBE M6RG268	LEI	responsAbility Management Company S.A. (in liquidation)	Credit institution, investment firm and financial institution	SA	Non-mutual	Financial Conduct Authority	80%	80%	80%	Dominant	80%	Yes	Method 1: Sectoral rules
LU	254900TWUJUQ 44TQJY84LU502 82	Specific Code	responsAbility Sustainable Food - Asia II (GP), S.à r.l.	Credit institution, investment firm and financial institution	SARL	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
LU	254900TWUJUQ 44TQJY84LU502 81	Specific Code	responsAbility Sustainable Food – Latam I (GP), S.à r.l.	Credit institution, investment firm and financial institution	SARL	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
KE	254900TWUJUQ 44TQJY84KE502 64	Specific Code	responsAbility Africa Ltd	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
LU	254900TWUJUQ 44TQJY84LU502 58	Specific Code	responsAbility Agriculture (GP ) Sarl	Credit institution, investment firm and financial institution	SARL	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
PE	254900TWUJUQ 44TQJY84PE502 65	Specific Code	responsAbility America Latina SAC	Credit institution, investment firm and financial institution	SAC	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
LU	254900TWUJUQ 44TQJY84LU502 57	Specific Code	responsAbility BOP Sarl	Credit institution, investment firm and financial institution	SARL	Non-mutual	Financial Conduct Authority	50%	50%	50%	Dominant	50%	Yes	Method 1: Sectoral rules
FR	254900TWUJUQ 44TQJY84FR502 60	Specific Code	responsAbility France SAS	Credit institution, investment firm and financial institution	SAS	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GE	254900TWUJUQ 44TQJY84GE50 263	Specific Code	responsAbility Georgia LLC	Credit institution, investment firm and financial institution	LLC	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules

IN	254900TWUJUQ 44TQJY84IN502 62	Specific Code	responsAbility India Business Advisors Pvt. Ltd	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
CH	5493009U9WGU NLD67175	LEI	responsAbility Investments AG	Credit institution, investment firm and financial institution	AG	Non-mutual	Financial Conduct Authority	93%	93%	93%	Dominant	93%	Yes	Method 1: Sectoral rules
TH	254900TWUJUQ 44TQJY84TH50 261	Specific Code	responsAbility Thailand Ltd	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
CH	254900TWUJUQ 44TQJY84CH50 259	Specific Code	responsAbility Ventures I Services AG	Credit institution, investment firm and financial institution	AG	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800JLV4IBC 2GWQN92	LEI	Sandringham Financial Partners Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
LU	254900TWUJUQ 44TQJY84LU201 36	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	254900TWUJUQ 44TQJY84GB20 010	Specific Code	ScotAm Pension Trustees Limited	Other	Ltd	Non-mutual		100%	100%	100%	Significant	100%	Yes	Method 1: Adjusted equity method
GB	254900TWUJUQ 44TQJY84GB201 13	Specific Code	Scottish Amicable Life Assurance Society	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ultd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation
GB	254900TWUJUQ 44TQJY84GB50 176	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	254900TWUJUQ 44TQJY84GB50 180	Specific Code	Selly Oak Shopping Park (Nominee 1) Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB50 181	Specific Code	Selly Oak Shopping Park (Nominee 2) Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB201 33	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%	100%	63%	Dominant	100%	Yes	Method 1: Full consolidation

GG	254900TWUJUQ 44TQJY84GG20 059	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
GG	254900TWUJUQ 44TQJY84GG20 064	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	254900TWUJUQ 44TQJY84GG20 066	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
GG	254900TWUJUQ 44TQJY84GG20 132	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
KY	254900TWUJUQ 44TQJY84KY502 28	Specific Code	Sky Fund V Onshore LP	Other	LP	Non-mutual	36%	36%	36%	Dominant	36%	Yes	Method 1: Adjusted equity method
KY	254900TWUJUQ 44TQJY84KY201 52	Specific Code	SKY I Intermediate LP	Other	LP	Non-mutual	28%	28%	28%	Significant	28%	Yes	Method 1: Adjusted equity method
US	549300BEJZZ5 4MFFQ02	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
US	254900TWUJUQ 44TQJY84US201 06	Specific Code	SMLLC	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LLC	Non-mutual	100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation
GB	254900TWUJUQ 44TQJY84GB50 243	Specific Code	SOFA Holding 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
IE	254900OGL05X RCWP7V68	LEI	Specialist Investment Funds (2) ICAV - M&G Real Impact Fund	Other	ICAV	Non-mutual	100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	254900TWUJUQ 44TQJY84GB20 070	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

GB	5493002E3OJN 8FC3QR83	LEI	St Edward Homes Partnership	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	549300H8DZ7K N3YLSM53	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
GB	2138006L3KIEQ C6REU54	LEI	Stableview Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
KY	254900TWUJUQ 44TQJY84KY502 34	Specific Code	StepStone Scorpio Infrastructure Opportunities Fund, L.P.	Other	LP	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	254900D9TEA74 KST4Q51	LEI	Sustainable Multi Asset Balanced Fund	Credit institution, investment firm and financial institution	OEIC	Non-mutual	Financial Conduct Authority	31%	31%	31%	Dominant	31%	Yes	Method 1: Sectoral rules
GB	2549003V8PM4 BMYMKF91	LEI	Sustainable Multi Asset Cautious Fund	Credit institution, investment firm and financial institution	OEIC	Non-mutual	Financial Conduct Authority	49%	49%	49%	Dominant	49%	Yes	Method 1: Sectoral rules
GB	254900ZUHM1A ZFWRQW76	LEI	Sustainable Multi Asset Growth Fund	Credit institution, investment firm and financial institution	OEIC	Non-mutual	Financial Conduct Authority	67%	67%	67%	Dominant	67%	Yes	Method 1: Sectoral rules
GG	549300FEFNTK M50NRC34	LEI	The Car Auction Unit Trust	Other	UT	Non-mutual		50%	50%	50%	Dominant	50%	Yes	Method 1: Adjusted equity method
GB	213800P1BOXLG XP35370	LEI	The First British Fixed Trust Company Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ 44TQJY84GB201 37	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	8IUGZ4RSNMJG 05397M84	LEI	The Prudential Assurance Company Limited	Life insurance undertaking	Ltd	Non-mutual	Prudential Regulation Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation
JE	254900TWUJUQ 44TQJY84JE200 74	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



JE	5493009POE314 RMQZ898	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
LU	254900TWUJUQ 44TQJY84LU20 080	Specific Code	Three Snowhill Birmingham S.a.r.l.	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Sarl	Non-mutual	100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation
GB	254900TWUJUQ 44TQJY84GB20 079	Specific Code	Two Rivers LP	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP	Non-mutual	50%	50%	50%	Significant	50%	Yes	Method 1: Proportional consolidation
LU	529900ABWG3 G3W1BIX36	LEI	Two Snowhill Birmingham S.a.r.l.	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Sarl	Non-mutual	100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation
JE	254900TWUJUQ 44TQJY84JE201 47	Specific Code	Vanquish I Unit Trust	Other	UT	Non-mutual	100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
JE	254900TWUJUQ 44TQJY84JE201 48	Specific Code	Vanquish II Unit Trust	Other	UT	Non-mutual	100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	254900TWUJUQ 44TQJY84GB201 45	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
GB	254900TWUJUQ 44TQJY84GB201 39	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	254900TWUJUQ 44TQJY84GB201 41	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	254900TWUJUQ 44TQJY84GB201 42	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
GB	254900TWUJUQ 44TQJY84GB201 43	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	254900TWUJUQ 44TQJY84GB201 44	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	254900TWUJUQ 44TQJY84GB201 40	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	254900TWUJUQ 44TQJY84GB201 38	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	254900TWUJUQ 44TQJY84GB20 091	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
FR	254900TWUJUQ 44TQJY84FR502 74	Specific Code	West Station 1 SCI	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SCI	Non-mutual	100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation
FR	254900TWUJUQ 44TQJY84FR502 75	Specific Code	West Station 2 SCI	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SCI	Non-mutual	100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation
FR	254900TWUJUQ 44TQJY84FR502 73	Specific Code	West Station S AS	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SAS	Non-mutual	100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation
GB	54930075E6IA5 WOH5S09	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	254900TWUJUQ 44TQJY84US201 49	Specific Code	WFH Investments LLC	Other	LLC	Non-mutual	23%	23%	23%	Dominant	23%	Yes	Method 1: Adjusted equity method
GB	2138002KV6WL PKHJHM45	LEI	Wrap IFA Services Limited	Other	Ltd	Non-mutual	100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
US	254900TWUJUQ 44TQJY84US30 068	Specific Code	Wynnefield Private Equity Partners II, L.P.	Other	LP	Non-mutual	99%	99%	99%	Dominant	99%	Yes	Method 1: Adjusted equity method

**S.02.01.02 Balance Sheet - PAC**

All amounts are in £'000

		Solvency II value
		C0010
	Assets	
R0030	Intangible assets	—
R0040	Deferred tax assets	392,480
R0050	Pension benefit surplus	23,444
R0060	Property, plant & equipment held for own use	5,622
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	130,149,085
R0080	Property (other than for own use)	6,877,329
R0090	Holdings in related undertakings, including participations	54,857,422
R0100	Equities	9,879,320
R0110	Equities - listed	9,738,418
R0120	Equities - unlisted	140,902
R0130	Bonds	45,030,364
R0140	Government Bonds	10,593,879
R0150	Corporate Bonds	32,562,458
R0160	Structured notes	—
R0170	Collateralised securities	1,874,028
R0180	Collective Investments Undertakings	9,945,936
R0190	Derivatives	2,550,777
R0200	Deposits other than cash equivalents	1,007,937
R0210	Other investments	—
R0220	Assets held for index-linked and unit-linked contracts	6,095,472
R0230	Loans and mortgages	20,052,576
R0240	Loans on policies	1,611
R0250	Loans and mortgages to individuals	900,618
R0260	Other loans and mortgages	19,150,348
R0270	Reinsurance recoverables from:	5,480,968
R0280	Non-life and health similar to non-life	121,046
R0290	Non-life excluding health	121,046
R0300	Health similar to non-life	—
R0310	Life and health similar to life, excluding index-linked and unit-linked	469,851
R0320	Health similar to life	(2,373)
R0330	Life excluding health and index-linked and unit-linked	472,224
R0340	Life index-linked and unit-linked	4,890,071
R0350	Deposits to cedants	—
R0360	Insurance and intermediaries receivables	20,434
R0370	Reinsurance receivables	25,824
R0380	Receivables (trade, not insurance)	1,616,990
R0390	Own shares (held directly)	—
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	—
R0410	Cash and cash equivalents	747,590
R0420	Any other assets, not elsewhere shown	—
R0500	<b>Total assets</b>	<b>164,610,483</b>

## S.02.01.02 Balance Sheet - PAC

	Solvency II value
	C0010
R0510 Technical provisions - non-life	121,084
R0520 Technical provisions - non-life (excluding health)	121,084
R0530 TP calculated as a whole	—
R0540 Best Estimate	121,084
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)	124,770,597
R0610 Technical provisions - health (similar to life)	(9,445)
R0620 TP calculated as a whole	—
R0630 Best Estimate	(9,485)
R0640 Risk margin	40
R0650 Technical provisions - life (excluding health and index-linked and unit-linked)	124,780,042
R0660 TP calculated as a whole	—
R0670 Best Estimate	124,215,526
R0680 Risk margin	564,516
R0690 Technical provisions - index-linked and unit-linked	10,930,249
R0700 TP calculated as a whole	—
R0710 Best Estimate	10,923,855
R0720 Risk margin	6,393
R0740 Contingent liabilities	—
R0750 Provisions other than technical provisions	23,908
R0760 Pension benefit obligations	—
R0770 Deposits from reinsurers	145,916
R0780 Deferred tax liabilities	463,249
R0790 Derivatives	3,900,285
R0800 Debts owed to credit institutions	2,039,667
R0810 Financial liabilities other than debts owed to credit institutions	5,275
R0820 Insurance & intermediaries payables	901,826
R0830 Reinsurance payables	50,580
R0840 Payables (trade, not insurance)	4,941,387
R0850 Subordinated liabilities	—
R0860 <i>Subordinated liabilities not in BOF</i>	—
R0870 <i>Subordinated liabilities in BOF</i>	—
R0880 Any other liabilities, not elsewhere shown	—
R0900 <b>Total liabilities</b>	<b>148,294,021</b>
R1000 <b>Excess of assets over liabilities</b>	<b>16,316,462</b>

**S.05.01.02 Premiums, claims and expenses by line of business (unaudited) - PAC**

All amounts are in £'000

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
Premiums written										
R1410	Gross	36,494	5,453,941	343,666	120,607				811,058	6,765,766
R1420	Reinsurers' share	2,518	169	244,509	450,179				1,016	698,390
R1500	Net	33,976	5,453,773	99,156	(329,572)				810,043	6,067,376
Premiums earned										
R1510	Gross	36,494	5,453,941	343,666	120,607				811,058	6,765,766
R1520	Reinsurers' share	2,518	169	244,509	450,179				1,016	698,390
R1600	Net	33,976	5,453,773	99,156	(329,572)				810,043	6,067,376
Claims incurred										
R1610	Gross	17,215	8,933,086	1,372,418	1,973,768				602,135	12,898,622
R1620	Reinsurers' share	9,538	406	440,906	447,473				591	898,913
R1700	Net	7,677	8,932,680	931,512	1,526,295				601,545	11,999,709
Changes in other technical provisions										
R1710	Gross	(3,149)	11,675,100	1,462,162	4,961,938				21,116	18,117,168
R1720	Reinsurers' share	173	3,704	596,126	697,951				(93)	1,297,862
R1800	Net	(3,321)	11,671,396	866,036	4,263,987				21,208	16,819,306
R1900	Expenses incurred	714	647,364	121,263	177,261				100,336	1,046,938
R2500	Other expenses									16,398
R2600	Total expenses									1,063,336

S.05.01.02 Premiums, claims and expenses by line of business (unaudited) -

PAC

All amounts are in £'000

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
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150
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				6,565				-2,517							
R0320 Gross - Proportional reinsurance accepted															
R0330 Gross - Non-proportional reinsurance accepted															
R0340 Reinsurers' share				6,565				-2,517							
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) - PAC****Gross**

Reinsurers' share

	Home Country (United Kingdom)	Ireland	Poland	Germany	Jersey	Guernsey	Total Top 5 and home country	Total
Premiums written								
R1410 Gross	5,952,799	735,482	53,531	22,046	1,105	452	6,765,415	6,765,766
R1420 Reinsurers' share	697,375	—	1,016	—	—	—	698,390	698,390
R1500 Net	5,255,424	735,482	52,515	22,046	1,105	452	6,067,024	6,067,376
Premiums earned								
R1510 Gross	5,952,799	735,482	53,531	22,046	1,105	452	6,765,415	6,765,766
R1520 Reinsurers' share	697,375	—	1,016	—	—	—	698,390	698,390
R1600 Net	5,255,424	735,482	52,515	22,046	1,105	452	6,067,024	6,067,376
Claims incurred								
R1610 Gross	12,325,304	528,985	3,131	23,273	6,280	6,592	12,893,565	12,898,622
R1620 Reinsurers' share	898,323	—	591	—	—	—	898,913	898,913
R1700 Net	11,426,981	528,985	2,540	23,273	6,280	6,592	11,994,651	11,999,709
Changes in other technical provisions								
R1710 Gross	18,109,185	(51,620)	(17,622)	77,224	—	—	18,117,168	18,117,168
R1720 Reinsurers' share	1,297,955	—	(93)	—	—	—	1,297,862	1,297,862
R1800 Net	16,811,230	(51,620)	(17,529)	77,224	—	—	16,819,306	16,819,306
R1900 Expenses incurred	946,602	73,959	26,377	—	—	—	1,046,938	1,046,938
R2500 Other expenses	16,398	—	—	—	—	—	16,398	16,398
R2600 Total expenses	963,000	73,959	26,377	—	—	—	1,063,336	1,063,336

**S.12.01.02 Life and Health SLT Technical Provisions - PAC**

All amounts are in £'000

	Index-linked and unit-linked insurance		Other life insurance		Annuities stemming from non-life insurance contracts and relating to insurance obligation	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)		Annuities stemming from non-life insurance contracts and relating to health	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)				
	Insurance with profit participation	Contracts without options and guarantees	Contracts with options or guarantees	Contracts without options and guarantees				Contracts with options or guarantees	Contracts without options and guarantees				Contracts with options or guarantees			
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010 Technical provisions	—	—			—			—	—	—	—			—	—	—
R0020 Total Recoverables from reinsurance /SPV and Finite Re after the adjustment	—	—			—			—	—	—	—			—	—	—
Best																
R0030 Gross Best Estimate	98,356,533		10,535,087	388,775		11,366,431	6,846,403	—	7,646,154	135,139,382		(3,770)	(5,715)	—	—	(9,485)
R0080 Total Recoverables from reinsurance /SPV and Finite Re	—		4,890,087	(16)		215,408	258,059	—	(1,242)	5,362,295		(1,207)	(1,167)	—	—	(2,373)
R0090 Best estimate minus recoverable	98,356,533		5,644,994	388,791		11,151,024	6,588,344	—	7,647,396	129,777,087		(2,563)	(4,549)	—	—	(7,111)
R0100 Risk margin	650,625	50,495			1,374,348			—	27,435	2,102,904	40			—	—	40
Amount of the transitional																
R0110 Technical Provisions calculated	—	—			—			—	—	—	—			—	—	—
R0120 Best estimate	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R0130 Risk margin	(424,810)	(44,102)			(1,042,507)			—	(20,576)	(1,531,995)	—			—	—	—
R0200 Technical provisions -	98,582,351	10,930,241			18,544,671			—	7,653,013	135,710,291	(9,445)			—	—	(9,445)



## S.17.01.02 Non-Life Technical Provisions - PAC

All amounts are in £'000

	Direct business and accepted proportional reinsurance				Direct business and accepted proportional reinsurance				Direct business and accepted proportional reinsurance				Total Non-Life obligation
	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	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0180
R0010	Technical provisions calculated as a whole												—
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole												—
	Technical provisions calculated as a sum of BE and RM												
	Best estimate												
	Premium provisions												
R0060	Gross												—
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default												—
R0150	Net Best Estimate of Premium Provisions												—
	Claims provisions												
R0160	Gross												121,084
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default												121,046
R0250	Net Best Estimate of Claims Provisions												38
R0260	Total best estimate - gross												121,084
R0270	Total best estimate - net												38
R0280	Risk margin												0
	Amount of the transitional on Technical Provisions												
R0290	Technical Provisions calculated as a whole												0
R0300	Best estimate												0
R0310	Risk margin												0
R0320	Technical provisions - total												121,084
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total												121,046
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total												38

**S.19.01.21 Non-Life insurance claims (unaudited) - PAC**

Unaudited

All amounts are in £'000

Z0010 Accident year / underwriting year

Gross Claims Paid (non-cumulative) (absolute amount)													
Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Development year	1	2	3	4	5	6	7	8	9	10 & +	In Current year	(cumulative)
R0100	Prior										2,653	2,653	2,653
R0160	N-9												
R0170	N-8												
R0180	N-7												
R0190	N-6												
R0200	N-5												
R0210	N-4												
R0220	N-3												
R0230	N-2												
R0240	N-1												
R0250	N												
R0260													
Total													

Gross undiscounted Best Estimate Claims Provisions (absolute amount)												
Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Development year	1	2	3	4	5	6	7	8	9	10 & +	(discounted)
R0100	Prior										121,084	73,663
R0160	N-9											
R0170	N-8											
R0180	N-7											
R0190	N-6											
R0200	N-5											
R0210	N-4											
R0220	N-3											
R0230	N-2											
R0240	N-1											
R0250	N											
R0260												
Total												

**S.22.01.21 Impact of long term guarantees measures and transitionals - PAC**

All amounts are in £'000

	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
	<i>C0010</i>	<i>C0030</i>	<i>C0050</i>	<i>C0070</i>	<i>C0090</i>
<i>R0010</i> Technical provisions	135,821,930	1,531,995	—	—	2,261,046
<i>R0020</i> Basic own funds	9,618,313	(669,491)	—	—	(882,697)
<i>R0050</i> Eligible own funds to meet Solvency Capital Requirement	9,618,313	(669,491)	—	—	(882,697)
<i>R0090</i> Solvency Capital Requirement	6,258,231	203,101	—	—	3,062,714
<i>R0100</i> Eligible own funds to meet Minimum Capital Requirement	9,225,833	(870,891)	—	—	(1,272,417)
<i>R0110</i> Minimum Capital Requirement	1,564,558	50,775	—	—	765,678

**S.23.01.01 Own Funds - PAC**

All amounts are in £'000

	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010 Ordinary share capital (gross of own shares)	329,517	329,517		—	
R0030 Share premium account related to ordinary share capital	—	—		—	
R0040 Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	—	—		—	
R0050 Subordinated mutual member accounts	—		—	—	—
R0070 Surplus funds	9,677,316	9,677,316			
R0090 Preference shares	—		—	—	—
R0110 Share premium account related to preference shares	—		—	—	—
R0130 Reconciliation reserve	(781,000)	(781,000)			
R0140 Subordinated liabilities	—		—	—	—
R0160 An amount equal to the value of net deferred tax assets	392,480				392,480
R0180 Other own fund items approved by the supervisory authority as basic own funds not specified above	—	—	—	—	—
R0220 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	—				
R0230 Deductions for participations in financial and credit institutions	—	—	—	—	
<b>R0290 Total basic own funds after deductions</b>	<b>9,618,313</b>	<b>9,225,833</b>	<b>—</b>	<b>—</b>	<b>392,480</b>
R0300 Unpaid and uncalled ordinary share capital callable on demand	—			—	
R0310 Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	—			—	
R0320 Unpaid and uncalled preference shares callable on demand	—			—	—
R0330 A legally binding commitment to subscribe and pay for subordinated liabilities on demand	—			—	—
R0340 Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	—			—	
R0350 Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	—			—	—
R0360 Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	—			—	
R0370 Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	—			—	—
R0390 Other ancillary own funds	—			—	—
<b>R0400 Total ancillary own funds</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
R0500 Total available own funds to meet the SCR	9,618,313	9,225,833	—	—	392,480
R0510 Total available own funds to meet the MCR	9,225,833	9,225,833	—	—	
R0540 Total eligible own funds to meet the SCR	9,618,313	9,225,833	—	—	392,480
<b>R0550 Total eligible own funds to meet the MCR</b>	<b>9,225,833</b>	<b>9,225,833</b>	<b>—</b>	<b>—</b>	<b></b>
R0580 SCR	6,258,231				
R0600 MCR	1,564,558				
R0620 Ratio of Eligible own funds to SCR	154 %				
R0640 Ratio of Eligible own funds to MCR	590 %				

		C0060
R0700	Excess of assets over liabilities	16,316,462
R0710	Own shares (held directly and indirectly)	—
R0720	Foreseeable dividends, distributions and charges	—
R0730	Other basic own fund items	10,399,312
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	6,698,150
R0760	<b>Reconciliation reserve</b>	<b>(781,000)</b>
R0770	Expected profits included in future premiums (EPIFP) - Life business	78,277
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	—
R0790	<b>Total Expected profits included in future premiums (EPIFP)</b>	<b>78,277</b>

**S.25.03.21 Solvency Capital Requirement (unaudited) - PAC**

– for undertakings on full internal models

Unaudited

All amounts are in £'000

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement
Row	C0010	C0020	C0030
1	103	Interest rate risk	1,157,771
2	104	Equity risk	2,938,648
3	106	Property risk	1,182,554
4	107	Spread risk	2,624,308
5	108	Concentration risk	—
6	109	Currency risk	2,092,108
7	110	Other market risk	—
8	199	Diversification within market risk	(4,650,579)
9	203	Other counterparty risk	101,717
10	301	Mortality risk	24,386
11	302	Longevity risk	1,664,436
12	303	Disability-morbidity risk	17,539
13	304	Mass lapse	732,682
14	305	Other lapse risk	564,252
15	306	Expense risk	1,124,648
16	308	Life catastrophe risk	13,745
17	309	Other life underwriting risk	—
18	399	Diversification within life underwriting risk	(2,649,105)
19	505	Other non-life underwriting risk	—
20	701	Operational risk	1,298,366
21	801	Other risks	—
22	802	Loss-absorbing capacity of technical provisions	—
23	803	Loss-absorbing capacity of deferred taxes	(529,854)
24	804	Other adjustments	—

**S.25.03.21 Solvency Capital Requirement (unaudited) - PAC**

– for undertakings on full internal models

Unaudited

All amounts are in £'000

Calculation of Solvency Capital Requirement		C0100
R0110	Total undiversified components	7,707,620
R0060	Diversification	(1,449,389)
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	—
R0200	Solvency capital requirement excluding capital add-on	6,258,231
R0210	Capital add-ons already set	—
R0220	Solvency capital requirement	6,258,231
Other information on SCR		
R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	(20,773,611)
R0310	Amount/estimate of the overall loss-absorbing capacity of deferred taxes	(529,854)
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	2,111,250
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	1,581,125
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	2,565,855
R0440	Diversification effects due to RFF nSCR aggregation for article 304	—
Approach to tax rate		
R0590	Approach based on average tax rate	Yes
Calculation of loss absorbing capacity of deferred taxes		
R0640	Amount/estimate of LAC DT	(529,854)
R0650	Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	(138,355)
R0660	Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	(391,499)
R0670	Amount/estimate of AC DT justified by carry back, current year	—
R0680	Amount/estimate of LAC DT justified by carry back, future years	—
R0690	Amount/estimate of Maximum LAC DT	(119,934)

**S.28.02.01 Minimum Capital Requirement - PAC**

– Both life and non-life insurance activity

All amounts are in £'000's

		Non-life activities	Life activities	Non-life activities		Life activities	
		MCR(NL,NL) Result	MCR(NL,L) Result	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) written premiums in the last 12 months
		C0010	C0020	C0030	C0040	C0050	C0060
R0010	<b>Linear formula component for non-life insurance and reinsurance obligations</b>	4	—				
R0020	Medical expense insurance and			—	—	—	—
R0030	Income protection insurance and			—	—	—	—
R0040	Workers' compensation insurance and			—	—	—	—
R0050	Motor vehicle liability insurance and			5	—	—	—
R0060	Other motor insurance and proportional			—	—	—	—
R0070	Marine, aviation and transport insurance			—	—	—	—
R0080	Fire and other damage to property			—	—	—	—
R0090	General liability insurance and proportional			33	—	—	—
R0100	Credit and suretyship insurance and			—	—	—	—
R0110	Legal expenses insurance and proportional			—	—	—	—
R0120	Assistance and proportional reinsurance			—	—	—	—
R0130	Miscellaneous financial loss insurance and			—	—	—	—
R0140	Non-proportional health reinsurance			—	—	—	—
R0150	Non-proportional casualty reinsurance			—	—	—	—
R0160	Non-proportional marine, aviation and			—	—	—	—
R0170	Non-proportional property reinsurance			—	—	—	—
		MCR(L,NL) Result	MCR(L,L) Result	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0070	C0080	C0090	C0100	C0110	C0120
R0200	<b>Linear formula component for life</b>	—	(3,051,131)				
R0210	Obligations with profit participation -			—		22,455,966	
R0220	Obligations with profit participation -			—		83,063,091	
R0230	Index-linked and unit-linked insurance			—		6,033,785	
R0240	Other life (re)insurance and health			—		18,217,132	
R0250	Total capital at risk for all life (re)insurance				—		17,832,914
		Overall MCR calculation	C0130				
R0300	Linear MCR		(3,051,127)				
R0310	SCR		6,258,231				
R0320	MCR cap		2,816,204				
R0330	MCR floor		1,564,558				
R0340	Combined MCR		1,564,558				
R0350	Absolute floor of the MCR		3,445				
R0400	Minimum Capital Requirement		1,564,558				
		Notional non-life and life MCR calculation	C0140	C0150			
R0500	Notional linear MCR		4	(3,051,131)			
R0510	Notional SCR excluding add-on (annual or		(8)	6,258,239			
R0520	Notional MCR cap		(4)	2,816,207			
R0530	Notional MCR floor		(2)	1,564,560			
R0540	Notional combined MCR		(4)	1,564,560			
R0550	Absolute floor of the notional MCR		3,445	3,445			
R0560	Notional MCR		3,445	1,564,560			



**S.02.01.02 Balance Sheet - PPL**

All amounts are in £'000

		Solvency II value
		C0010
	<b>Assets</b>	
R0030	Intangible assets	—
R0040	Deferred tax assets	—
R0050	Pension benefit surplus	—
R0060	Property, plant & equipment held for own use	—
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	16,223
R0080	<i>Property (other than for own use)</i>	—
R0090	<i>Holdings in related undertakings, including participations</i>	—
R0100	<i>Equities</i>	—
R0110	<i>Equities - listed</i>	—
R0120	<i>Equities - unlisted</i>	—
R0130	<i>Bonds</i>	16,223
R0140	<i>Government Bonds</i>	16,223
R0150	<i>Corporate Bonds</i>	—
R0160	<i>Structured notes</i>	—
R0170	<i>Collateralised securities</i>	—
R0180	<i>Collective Investments Undertakings</i>	—
R0190	<i>Derivatives</i>	—
R0200	<i>Deposits other than cash equivalents</i>	—
R0210	<i>Other investments</i>	—
R0220	Assets held for index-linked and unit-linked contracts	5,699,367
R0230	Loans and mortgages	55,600
R0240	<i>Loans on policies</i>	—
R0250	<i>Loans and mortgages to individuals</i>	—
R0260	<i>Other loans and mortgages</i>	55,600
R0270	Reinsurance recoverables from:	1,618,963
R0280	<i>Non-life and health similar to non-life</i>	—
R0290	<i>Non-life excluding health</i>	—
R0300	<i>Health similar to non-life</i>	—
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	32,569
R0320	<i>Health similar to life</i>	—
R0330	<i>Life excluding health and index-linked and unit-linked</i>	32,569
R0340	<i>Life index-linked and unit-linked</i>	1,586,393
R0350	Deposits to cedants	—
R0360	Insurance and intermediaries receivables	—
R0370	Reinsurance receivables	—
R0380	Receivables (trade, not insurance)	16,875
R0390	Own shares (held directly)	—
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	—
R0410	Cash and cash equivalents	13,480
R0420	Any other assets, not elsewhere shown	—
R0500	<b>Total assets</b>	<b>7,420,507</b>

**S.02.01.02 Balance Sheet - PPL**

All amounts are in £'000

		Solvency II value
		C0010
<b>Liabilities</b>		
R0510	Technical provisions - non-life	—
R0520	<i>Technical provisions - non-life (excluding health)</i>	—
R0530	<i>TP calculated as a whole</i>	—
R0540	<i>Best Estimate</i>	—
R0550	<i>Risk margin</i>	—
R0560	<i>Technical provisions - health (similar to non-life)</i>	—
R0570	<i>TP calculated as a whole</i>	—
R0580	<i>Best Estimate</i>	—
R0590	<i>Risk margin</i>	—
R0600	Technical provisions - life (excluding index-linked and unit-linked)	32,912
R0610	<i>Technical provisions - health (similar to life)</i>	—
R0620	<i>TP calculated as a whole</i>	—
R0630	<i>Best Estimate</i>	—
R0640	<i>Risk margin</i>	—
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	32,912
R0660	<i>TP calculated as a whole</i>	—
R0670	<i>Best Estimate</i>	32,912
R0680	<i>Risk margin</i>	1
R0690	Technical provisions - index-linked and unit-linked	7,280,139
R0700	<i>TP calculated as a whole</i>	—
R0710	<i>Best Estimate</i>	7,270,356
R0720	<i>Risk margin</i>	9,783
R0740	Contingent liabilities	—
R0750	Provisions other than technical provisions	—
R0760	Pension benefit obligations	—
R0770	Deposits from reinsurers	—
R0780	Deferred tax liabilities	1,277
R0790	Derivatives	—
R0800	Debts owed to credit institutions	—
R0810	Financial liabilities other than debts owed to credit institutions	—
R0820	Insurance & intermediaries payables	—
R0830	Reinsurance payables	8,892
R0840	Payables (trade, not insurance)	19,403
R0850	Subordinated liabilities	—
R0860	<i>Subordinated liabilities not in BOF</i>	—
R0870	<i>Subordinated liabilities in BOF</i>	—
R0880	Any other liabilities, not elsewhere shown	—
R0900	<b>Total liabilities</b>	<b>7,342,624</b>
R1000	<b>Excess of assets over liabilities</b>	<b>77,883</b>

## S.05.01.02 Premiums claims and expenses by line of business (unaudited) - PPL

All amounts are in £'000

Premiums, claims and expenses  
by line of business

## 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
<b>Premiums written</b>									
R1410 Gross	0	0	320,242	0			0	241,483	561,725
R1420 Reinsurers' share	0	0	0	0			0	0	0
R1500 Net	0	0	320,242	0			0	241,483	561,725
<b>Premiums earned</b>									
R1510 Gross	0	0	320,242	0			0	241,483	561,725
R1520 Reinsurers' share	0	0	0	0			0	0	0
R1600 Net	0	0	320,242	0			0	241,483	561,725
<b>Claims incurred</b>									
R1610 Gross	0	0	1,298,696	4,090			0	415,555	1,718,341
R1620 Reinsurers' share	0	0	0	4,090			0	0	4,090
R1700 Net	0	0	1,298,696	0			0	415,555	1,714,251
<b>Changes in other technical provisions</b>									
R1710 Gross	0	0	1,822,230	12,109			0	757,652	2,591,991
R1720 Reinsurers' share	0	0	0	12,109			0	0	12,109
R1800 Net	0	0	1,822,230	0			0	757,652	2,579,882
R1900 Expenses incurred	0	0	17,609	0			0	0	17,609
R2500 Other expenses									0
R2600 Total expenses									17,609

**S.12.01.02 Life and Health SLT Technical Provisions - PPL**

All amounts are in £'000

	Insurance with profit participation	Index-linked and unit-linked insurance		Other life insurance		Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)		Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)			
		Contracts without options and guarantees	Contracts with options or guarantees	Contracts without options and guarantees	Contracts with options or guarantees				Contracts without options and guarantees	Contracts with options or guarantees						
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	Technical provisions calculated as a whole	–	–		–			–	–	–	–			–	–	–
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	–	–		–			–	–	–	–			–	–	–
	Technical provisions calculated as a sum of BE and RM															
R0030	Best estimate Gross Best Estimate	–		2,547,062	383			14,179	18,733	–	4,722,911	7,303,268		–	–	–
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	–		–	–			13,837	18,733	–	1,586,393	1,618,963		–	–	–
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	–		2,547,062	383			342	–	–	–	–		–	–	–
R0100	Risk margin	–	7,730		–			–	9,518	17,249	–			–	–	–
	Amount of the transitional on Technical Provisions															
R0110	Technical Provisions calculated as a whole	–	–		–			–	–	–	–			–	–	–
R0120	Best estimate	–		–	–			–	–	–	–			–	–	–
R0130	Risk margin	–	(3,345)		–			–	(4,119)	(7,465)	–			–	–	–
R0200	Technical provisions - total	–	2,551,830		–			–	4,728,310	7,313,051	–			–	–	–

**S.22.01.21 Impact of long term guarantees measures and transitionals - PPL**

All amounts are in £'000

		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
R0010	Technical provisions	7,313,051	7,465	—	—	—
R0020	Basic own funds	77,883	(5,610)	—	—	—
R0050	Eligible own funds to meet Solvency Capital Requirement	77,883	(5,610)	—	—	—
R0090	Solvency Capital Requirement	33,647	1,855	—	—	—
R0100	Eligible own funds to meet Minimum Capital Requirement	77,883	(6,188)	—	—	—
R0110	Minimum Capital Requirement	15,141	83	—	—	—

**S.23.01.01 Own Funds - PPL** - All amounts are in £'000

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds
R0220	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
	Deductions
R0230	Deductions for participations in financial and credit institutions
R0290	Total basic own funds after deductions
	Ancillary own funds
R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390	Other ancillary own funds
R0400	Total ancillary own funds
	Available and eligible own funds
R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR
R0580	SCR
R0600	MCR
R0620	Ratio of Eligible own funds to SCR
R0640	Ratio of Eligible own funds to MCR
	Reconciliation reserve
R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Foreseeable dividends, distributions and charges
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760	Reconciliation reserve
	Expected profits
R0770	Expected profits included in future premiums (EPIFP) - Life business
R0780	Expected profits included in future premiums (EPIFP) - Non- life business
R0790	Total Expected profits included in future premiums (EPIFP)

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
6,000	6,000		—	
—	—		—	
—	—		—	
—		—	—	—
—	—			
—		—	—	—
—		—	—	—
71,883	71,883			
—		—	—	—
—		—	—	—
0				
0	0	0	0	0
77,883	77,883	0	0	0
—			—	
—			—	
—			—	0
—			—	
—			—	0
—			—	
—			—	—
—			—	—
0			0	0
77,883	77,883	—	—	0
77,883	77,883	—	—	
77,883	77,883	—	—	0
77,883	77,883	0	0	
33,647				
15,141				
231 %				
514 %				
C0060				
77,883				
—				
—				
6,000				
—				
71,883				
—				
—				
0				

## S.25.03.21 Solvency Capital Requirement - for undertakings on Full Internal Models (unaudited) - PPL

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement
Row	C0010	C0020	C0030
1	103	Interest rate risk	8,196
2	104	Equity risk	14,941
3	106	Property risk	364
4	107	Spread risk	4,723
5	108	Concentration risk	—
6	109	Currency risk	5,935
7	110	Other market risk	—
8	199	Diversification within market risk	(11,569)
9	203	Other counterparty risk	1,688
10	301	Mortality risk	—
11	302	Longevity risk	—
12	303	Disability-morbidity risk	—
13	304	Mass lapse	4,221
14	305	Other lapse risk	4,930
15	306	Expense risk	34,749
16	308	Life catastrophe risk	30
17	309	Other life underwriting risk	—
18	399	Diversification within life underwriting risk	(33,641)
19	505	Other non-life underwriting risk	—
20	701	Operational risk	14,826
21	801	Other risks	—
22	802	Loss-absorbing capacity of technical provisions	—
23	803	Loss-absorbing capacity of deferred taxes	(5,096)
24	804	Other adjustments	—

**S.25.03.21 - Solvency Capital Requirement - for undertakings on Full Internal Models (unaudited) - PPL****Calculation of Solvency Capital Requirement**

C0100

R0110	Total undiversified components	44,296
R0060	Diversification	(10,650)
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	—
R0200	<b>Solvency capital requirement excluding capital add-on</b>	33,647
R0210	Capital add-ons already set	—
R0220	<b>Solvency capital requirement</b>	33,647

**Other information on SCR**

R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	—
R0310	Amount/estimate of the overall loss-absorbing capacity of deferred taxes	(5,096)
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	33,647
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	—
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	—
R0440	Diversification effects due to RFF nSCR aggregation for article 304	—

**Approach to tax rate**

C0109

R0590 Approach based on average tax rate

Not applicable as LAC DT is not used

**Calculation of loss absorbing capacity of deferred taxes**

LAC DT

C0130

R0640	Amount/estimate of LAC DT	(5,096)
R0650	Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	(2,666)
R0660	Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	(2,430)
R0670	Amount/estimate of AC DT justified by carry back, current year	—
R0680	Amount/estimate of LAC DT justified by carry back, future years	—
R0690	Amount/estimate of Maximum LAC DT	(9,853)



**S.28.01.01 Minimum Capital Requirement - PPL**

– Only life or non-life insurance or reinsurance activity

– All amounts are in £'000

		MCR(NL) Result		
		C0020		
R0010	Linear formula component for non-life insurance and reinsurance obligations	0		
			Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
			C0050	C0060
R0020	Medical expense insurance and proportional reinsurance		0	0
R0030	Income protection insurance and proportional reinsurance		0	0
R0040	Workers' compensation insurance and proportional reinsurance		0	0
R0050	Motor vehicle liability insurance and proportional reinsurance		0	0
R0060	Other motor insurance and proportional reinsurance		0	0
R0070	Marine, aviation and transport insurance and proportional reinsurance		0	0
R0080	Fire and other damage to property insurance and proportional reinsurance		0	0
R0090	General liability insurance and proportional reinsurance		0	0
R0100	Credit and suretyship insurance and proportional reinsurance		0	0
R0110	Legal expenses insurance and proportional reinsurance		0	0
R0120	Assistance and proportional reinsurance		0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance		0	0
R0140	Non-proportional health reinsurance		0	0
R0150	Non-proportional casualty reinsurance		0	0
R0160	Non-proportional marine, aviation and transport reinsurance		0	0
R0170	Non-proportional property reinsurance		0	0
		Result		
		C0080		
R0200	Linear formula component for life insurance and reinsurance obligations	39,809		
			Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
			C0110	C0120
R0210	Obligations with profit participation - guaranteed benefits		0	
R0220	Obligations with profit participation - future discretionary benefits		0	
R0230	Index-linked and unit-linked insurance obligations		5,683,963	
R0240	Other life (re)insurance and health (re)insurance obligations		342	
R0250	Total capital at risk for all life (re)insurance obligations			20,191
	Overall MCR calculation			
		C0130		
R0300	Linear MCR	39,809		
R0310	SCR	33,647		
R0320	MCR cap	15,141		
R0330	MCR floor	8,412		
R0340	Combined MCR	15,141		
R0350	Absolute floor of the MCR	3,445		
R0400	Minimum Capital Requirement	15,141		