M&G plc

Single Group Solvency and Financial Condition Report

31 December 2021

Table of Contents

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 2021. 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"). For the year ended 31 December 2020, prior to the approval of the waiver, M&G plc and each individual insurance subsidiary prepared their own SFCR.

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 2021.

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 International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the UK, whilst PAC and PPL apply UK Generally Accepted Accounting Principles ("UK GAAP") to prepare their solo entity statutory financial statements.

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. The SFCR as at 31 December 2021 has been prepared under the Solvency II rules that were in place at the end of the Brexit transitional period on 31 December 2020 by virtue of the Temporary Transitional Power (TTP) direction issued by the PRA. This transitional direction expires on 31 March 2022 and from that point M&G plc will be subject to Solvency II as on-shored in the UK legislative and regulatory framework.

Group background

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

The Group is a savings and investments business. It serves over 5.1m retail customers, who want to build and protect their life savings, and provides investment solutions to more than 800 institutional clients. The Group's innovative customer solutions are supported by its extensive investment capabilities, an international distribution network and five customer brands: Prudential, M&G Investments, M&G Real Estate, M&G Wealth and Infracapital. The Group operates internationally and distributes its products across 28 markets, serving its savings and insurance customers 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 2021, the Group's Assets under Management and Administration ("AUMA") was £370.0bn (2020: £367.2bn).

The Group operates across two operating segments: Asset Management and Retail and Savings. The Asset Management segment, with £156.7bn external AUMA as at 31 December 2021 (2020: £144.4bn), includes both Retail and Institutional business. The Retail and Savings segment, with £211.1bn AUMA as at 31 December 2021 (2020: £221.6bn), predominantly comprises the Group's Wealth and Heritage business. Wealth includes the Retail Savings business (including PruFund) and platform business. Heritage consists of the traditional with-profits business as well as the annuities and corporate pensions businesses. In addition there are £2.2bn of corporate assets as at 31 December 2021 (2020: £1.2bn).

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 customers, 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. Previously, the With-Profits Fund included the Scottish Amicable Insurance Fund ("SAIF"). Over 2021 SAIF merged into the WPSF. This is discussed in more detail in Section A.1.4.8.

Figure 1: Company structure

<table>
<tr><th colspan="5">The Prudential Assurance Company Limited (PAC)</th></tr>
<tr><th colspan="3">Shareholder-backed business</th><th colspan="2">With-Profits Fund</th></tr>
<tr><td colspan="2">Shareholder Fund</td><td rowspan="2">Non Profit Sub-Fund (NPSF)</td><td rowspan="2">With-Profits Sub-Fund (WPSF)</td><td rowspan="2">Defined Charge Participating Sub-Fund (DCPSF)</td></tr>
<tr><td>General Insurance Fund</td><td>Other</td></tr>
</table>

The proportion of divisible profit attributable to with-profits policyholders in the WPSF is typically structured on a 90:10 basis, which means with-profits customers receive 90% of the total returns generated by the fund, with the remaining 10% allocated to shareholders. 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.

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

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

M&G Investments operates through M&G Group Limited (MGG), a main subsidiary of the Group. MGG's retail customers have access to a broad range of actively managed investment products, including Equities, Fixed Income, Multi-Asset and Real Estate. The Group serves these customers through its many business-to-business relationships both in the UK and overseas, which include independent financial advisers, high-street banks and wealth managers. 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 2021, the Group's adjusted operating profit, demonstrates the benefits of our diversified source of earnings, resulting from being an asset manager and an asset owner against the backdrop of an increasingly competitive environment. 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 profit before tax. The main adjusting item between adjusted operating profit before tax and IFRS profit before tax is short-term fluctuations in investment returns.

For the year ended 31 December 2021, adjusted operating profit before tax was £721m (2020: £788m).

During the year, the Group's financial management information was updated to reflect a change in management structure. The Group's operating segments have been revised as a result. The previous operating segments, 'Savings and Asset Management' and 'Heritage', have been replaced with two new operating segments: 'Asset Management' and 'Retail and Savings'. Comparatives for 2020 are re-presented on the new segment basis.

In Asset Management, revenue and operating expenses have remained relatively stable, and the reduction in adjusted operating profit to £315m (2020: £330m) is mainly driven by lower performance fees and carried interest.

Retail and Savings adjusted operating profit reduced to £660m (2020: £701m). Whilst benefit was seen in both years from longevity assumption changes in annuities, these have reduced year on year. Partially offsetting this was the total with-profits shareholder transfer increasing by £47m to £268m, primarily as a result of improved market conditions leading to positive unit price adjustments being made to PruFund and higher outflows from Retirement Account.

Corporate centre adjusted operating losses increased to £254m (2020: £243m). With Head Office costs of £95m (2020: £101m) remaining stable, the increased loss is largely driven by adverse foreign exchange movements on the USD subordinated debt.

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

Summary (continued)

IFRS profit before tax was £81m (2020: £1,397m) and reflects adjusted operating profit before tax, and profit or loss before tax from adjusting items.

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 2021 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.

The conflict in Ukraine has the potential to impact the Group's risk profile including but not limited to; adverse and volatile economic and market conditions; impacts on investment performance and underlying assets; increased cyber risk; and regulatory risk from sanctions. The uncertainty around these impacts requires the Group to continually monitor and assess developments. The Group has responded to events by mobilising resources and standing up incident response protocols, including regular monitoring of its Solvency position.

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 Ascentric platform 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 2021 the excess of assets over liabilities on a Solvency II basis were:

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

As at 31 December		M&G plc £bn	PAC £bn	PPL £bn
2021	**Excess of assets over liabilities**	**19.4**	**19.9**	**0.1**
2020	Excess of assets over liabilities	18.8	20.6	0.1

Summary (continued)

The Group's excess of assets over liabilities is £14bn higher than its IFRS Shareholders' Equity, whilst the excess of assets over liabilities for PAC and PPL are £15bn and £2m 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 (£16.7bn for M&G plc and £16.9bn 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.

During the year M&G plc has delivered total capital generation of £1,822m increasing the shareholder Solvency II coverage ratio to 218%. The regulatory Solvency II coverage has also increased to 168% (2020: 146%), as seen in Figure 5.

M&G plc's total capital generation result includes a £468m benefit from management actions, driven by a contribution of £287m from asset trading and optimisation, as well as £91m from changes to our equity and interest rate hedges.

M&G plc has met its three-year total cumulative capital generation target of £2.2 billion to the end of 2022. It has also announced a new target to deliver £2.5 billion of cumulative operating capital generation by 2024.

M&G plc continues to deploy our capital to expand the business with an aggregate investment of approximately £260m expected in 2022 in respect of investments in Sandringham, TCF Investment, Moneyfarm and responsAbility.

In addition to the declaration of M&G plc's second interim dividend for 2021 of 12.2 pence per ordinary share (an estimated £311m in total to be paid on 28 April 2022, see section A.5.4), M&G plc has announced its intention to return £500m to shareholders by way of a share buy-back programme, which has recently started and is expected to complete within 12 months.

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					
		2021			2020		
		M&G plc £m	PAC £m	PPL £m	M&G plc £m	PAC £m	PPL £m
Eligible own funds to cover the MCR	Tier 1 - unrestricted	10,304	12,161	77	10,634	13,613	85
	Tier 1 - restricted	—	—	—	—	—	—
	Tier 2	430	—	—	514	—	—
	Tier 3	—	—	—	—	—	—
	Total	10,734	12,161	77	11,148	13,613	85

Figure 4: Eligible own funds to cover the SCR

		As at 31 December							
		2021				2020			
		M&G plc		PAC	PPL	M&G plc		PAC	PPL
		Excluding OFS[1] £m	Including OFS £m	£m	£m	Excluding OFS[1] £m	Including OFS £m	£m	£m
Eligible own funds to cover the SCR	Tier 1 - unrestricted	10,304	11,439	12,161	77	10,634	11,582	13,613	85
	Tier 1 - restricted	—	—	—	—	—	—	—	—
	Tier 2	3,728	3,728	—	—	3,969	3,969	—	—
	Tier 3	89	89	—	—	80	80	—	—
	Total	14,122	15,257	12,161	77	14,684	15,631	13,613	85

[1] 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).

Summary (continued)

Capital management (continued)

Figure 5: Regulatory Solvency Position Summary

As at 31 December		Own funds £m	SCR £m	Surplus £m	Solvency ratio %	MCR	Eligible funds available to cover MCR
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**
2020	M&G plc	15,631	10,736	4,896	146 %	2,568	11,148
	PAC	13,613	10,002	3,611	136 %	2,500	13,613
	PPL	85	50	35	171 %	22	85

M&G plc, PAC and PPL met their SCR and MCR requirements at all times during 2021.

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 2021, 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 31 December 2021.

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

		M&G plc				PAC				PPL
As at 31 December		Shareholder view £m	With-Profits Fund view £m	Ring-fenced fund restrictions £m	Regulatory view[1] £m	Shareholder view £m	With-Profits Fund view £m	Ring-fenced fund restrictions £m	Regulatory view[1] £m	Shareholder view and regulatory view £m
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%**
2020	Own Funds	10,736	11,896	(7,001)	15,631	8,718	11,896	(7,001)	13,613	85
	SCR	5,840	4,895	—	10,735	5,107	4,895	—	10,002	50
	Surplus	4,896	7,001	(7,001)	4,896	3,611	7,001	(7,001)	3,611	35
	Solvency ratio (%)	184%	243%	—	146%	171%	243%	—	136%	171%

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

The Group uses the shareholder view of the Solvency II capital position as its main solvency metric to manage the business, as this is considered to provide a more relevant reflection of 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 meaningful protection against significant adverse market-driven effects on the Solvency II capital position.

The stable and recurring nature of the Group's underlying capital generation, coupled with a series of management actions taken to protect the balance sheet and favourable market variances over the period offset the payment of dividends to shareholders, resulting in M&G plc's Solvency II surplus increasing to £6,172m (2020: £4,896m), the shareholder Solvency II coverage ratio increasing to 218% (2020: 184%) and the regulatory Solvency II coverage ratio increasing to 168% (2020: 146%).

The With-Profits Fund continues to have a strong Solvency II coverage ratio of 302% (2020: 243%). The increase since 2020 predominately reflects the expected return from in-force business, strong returns on equities and management actions. The increase in surplus has been partially offset by the merger of SAIF into the WPSF. See section E.1. for further detail.

PAC retains a shareholder Solvency II surplus of £3,866m (2020: £3,611m). The shareholder surplus has increased over 2021,which predominantly reflects the expected return over the period and a series of management actions taken, including the impacts of trading in the annuity portfolio, longevity assumption changes and the impact of changes in economic conditions during the year, offset by the payment of the dividends to M&G plc of £1,550m (2020: £497m).

The PPL Solvency II surplus has fallen slightly to £33m (2020: £35m). The reduction is predominately due to changes in non-market experience, mainly adverse persistency experience and higher than expected expenses, offset by the expected return over the period and changes in non-market assumptions, mainly expense assumptions.

Summary (continued)

Capital management (continued)

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

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

There is no difference between the solvency ratios disclosed as at 31 December 2021 in the SFCR compared to M&G plc's 2021 Annual Report and Accounts, and in PAC and PPL's 2021 Statutory Accounts (collectively the "statutory accounts").

The SFCR shows both the regulatory and shareholder view of the Solvency II capital position. 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

		M&G plc			PAC			PPL[1]	
As at 31 December		As reported	Without the matching adjustment	Without TMTP	As reported	Without the matching adjustment	Without TMTP	As reported	Without TMTP
2021	**Regulatory view**	**168 %**	**112 %**	**151 %**	**147 %**	**94 %**	**129 %**	**173 %**	**153 %**
	Shareholder view	**218 %**	**119 %**	**186 %**	**187 %**	**90 %**	**152 %**	**173 %**	**153 %**
2020	Regulatory view	146 %	100 %	131 %	136 %	90 %	121 %	171 %	147 %
	Shareholder view	184 %	100 %	156 %	171 %	83 %	140 %	171 %	147 %

[1] PPL did not apply a matching adjustment as at 31 December 2021 and 31 December 2020.

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 KPMG LLP. The contact details are:

KPMG LLP
15 Canada Square
London
E14 5GL

Holders of qualifying holdings

As at 31 December 2021, 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 2021 Annual Report and Accounts.

A Business and performance (continued)

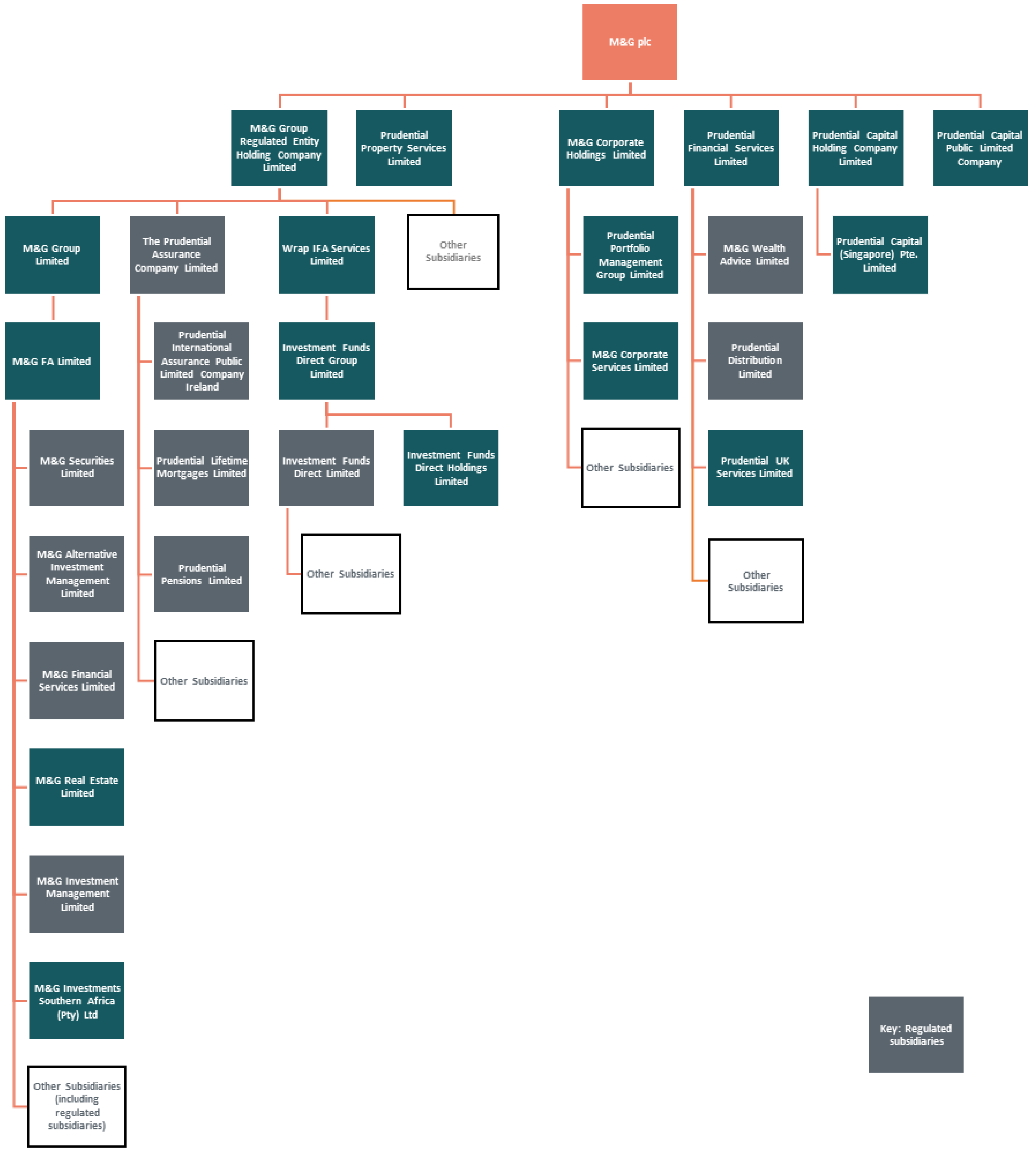
A.1 Business (continued)

A.1.2 Group structure

A.1.2.1 Legal structure of the Group and related undertakings

Figure 8 is an extract of the Group structure as at 31 December 2021 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 2021



A Business and performance (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 2021. 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	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.

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

A complete list of the Group's related undertakings comprising subsidiaries, joint ventures, associates and other significant holdings is contained within Note 40 to the consolidated financial statements of the M&G plc 2021 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 2021, 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)	BIPRU[1] sectoral requirements
Prudential Capital Public Limited Company and Prudential Portfolio Management Group Limited	Notional sectoral requirements, based on BIPRU[2]
Investment Funds Direct Limited	IFPRU[3] sectoral requirements
Prudential Lifetime Mortgages Limited	MIPRU[4] sectoral requirements
Other undertakings in the Group	Solvency II Internal Model

[1] Prudential Sourcebook for Banks, Building Societies and Investment firms. From 1 January 2022, the IFPR (Investment Firms Prudential Regime) will supersede BIPRU.

[2] These undertakings are not regulated. As at 31 December 2021, their contribution has been based assuming BIPRU rules were to apply.

[3] Prudential Sourcebook for Investment firms.

[4] Prudential Sourcebook for Mortgage and Home Finance Firms, and Insurance intermediaries.

A Business and performance (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

In October 2021 we changed our management structure to give clear ownership for the end to end customer journey and associated financial results. The Group's operating segments have been revised to reflect this new management structure. The previous operating segments, 'Savings and Asset Management' and 'Heritage', have been replaced with two new operating segments: 'Asset Management' and 'Retail and Savings'. Comparatives for 2020 are re-presented on the new segment basis.

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 Corporate Risk and Investment Solutions businesses. PAC contributes to Wealth primarily through PruFund alongside the Group's platform business. Heritage consists solely of insurance business, primarily PAC and its subsidiaries, including PPL.

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

The 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 (which was previously a stand alone operating segment) 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 customers. These products are distributed to customers through the wrap platform, intermediaries and advisers, and include the Retirement Account (a combined individual pension and income drawdown product), individual pensions, individual savings accounts ("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.

The Group's Heritage products that are written through conventional and accumulating with-profits contracts, in the WPSF, 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 WPSF following the merger with SAIF on 1 April 2021 as discussed in section A.1.4.8 below.

A Business and performance (continued)

A.1 Business (continued)

iii Other Retail and Savings

Our savings businesses based in Ireland (PIA) 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.1.4 Significant business or other events that have a material impact on the Group over the reporting period

A.1.4.1 Transition of assets (M&G plc, PAC and PPL)

The Target Investment Model (TIM) aims to rationalise the Group's life fund entities (PAC, PPL, PIA, and also link-fund solutions) c.550 base funds by creating c.50 building blocks comprising tax-transparent unitised fund structures, into which existing assets will be transferred. Three types of fund are being utilised – Authorised Contractual Schemes ("ACS"), Luxembourg Fond commun de placement ("FCP") and UK OEIC funds. During 2021, a further £21bn (2020: £5bn) of assets, principally equities, transitioned to these funds. The transition is seeking to simplify the investment strategy and achieve lower costs by greater economies of scale, whilst protecting the interests of all groups of policyholders.

A.1.4.2 Delivering sustainability (M&G plc, PAC and PPL)

Last year, we committed to embedding sustainability across everything we do in our business, to help us deliver better long term outcomes for our customers and clients, and stronger more resilient returns to shareholders.

In May 2021, we published our 10 point Sustainability Plan, which sets out how we intend to achieve this, covering everything from our targets to be carbon net zero by 2030 as a business and by 2050 as an investor, to how we are aligning our people behind our ambition. You can read more about this on pages 38-43, along with details of our latest climate-related disclosures on page 44 of the M&G plc 2021 Annual Report and Accounts.

One of the stand out achievements in 2021 has been the growth in our range of Planet+ sustainably-focused investment products to 20 funds, covering a wide variety of themes and asset classes. Some of these are brand new strategies, such as the M&G Better Health Solutions Fund, while others have been part of our major programme to convert our SICAV fund range to become SFDR Article 8 and 9-classified.

Another sustainability highlight has been the first year of our Catalyst strategy. Catalyst is a global investment team, which is investing up to £5bn from the Prudential With-Profits Fund into innovative privately-owned businesses working to create a more sustainable world. By the end of 2021, Catalyst had deployed over £651m in investments and committed a further £633m into sustainable solutions such as carbon neutral transport, recycled thermoplastics, and carbon capture and storage.

A.1.4.3 Part VII transfer of Rothesay Life PLC reinsured annuities (M&G plc and PAC)

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

On 17 May 2019, the independent expert who was appointed to report to the High Court concluded that the transfer would have no material adverse effect on the security of benefits or the reasonable benefit expectations of PAC's policyholders. However, on 16 August 2019, the High Court declined to sanction the Scheme. PAC and Rothesay Life PLC successfully appealed that decision in the Court of Appeal. A further sanction hearing was held in the High Court between 8 and 10 November 2021. On 24 November 2021 the Scheme was sanctioned by the High Court and became effective on 15 December 2021. This resulted in a reduction in Solvency II reinsurance recoverables of £11bn as the Part VII took effect. During the year, a loss of £16m was recognised in relation to an additional premium payable under the terms of the collateralised reinsurance arrangement prior to the Part VII transfer.

A.1.4.4 Acquisition of PPMSA (M&G plc)

On 4 July 2021, M&G FA Limited, a wholly-owned subsidiary of the Group acquired a further 0.13% of the share capital of Prudential Portfolio Managers (South Africa) (Pty) Ltd (PPMSA) for a cash consideration of £0.2m. The transaction increased M&G FA Limited's direct holding in PPMSA from 49.99% to 50.12%, requiring PPMSA's results to be consolidated in the Group's financial statements from 4 July 2021.

Prudential Staff Investment Company (RF) Proprietary Limited (PSI), a company established to manage and administer a staff share scheme for employees of PPMSA, holds 28.01% of the shares of PPMSA. This arrangement meets the definition of another long-term employment benefit scheme as dividends paid out to PSI are all paid on to the employees of PPMSA for services rendered to PPMSA. As a result, the dividends paid out on the 28.01% of shares are classified as employee costs in the profit and loss account. Consequently, amounts attributable to non-controlling interests exclude the 28.01% holding.

The Group previously accounted for the investment as an associate using the equity method. As the Group now has a controlling interest, the acquisition has been accounted for using the acquisition accounting method with the Group electing to use the fair value option to value the non-controlling interests' share at the date of acquisition.

At the date of acquisition, the carrying value of the investment in PPMSA was £34m and the fair value of the Group's existing stake was £85m, resulting in a gain of £51m being recognised and reported in other income in the year to 31 December 2021.

The acquisition of PPMSA builds on the Group's international capability, with Cape Town becoming our fifth global investment centre and provides the Group with further sales opportunities and synergies from the business being integrated within the Group.

A Business and performance (continued)

A.1 Business (continued)

The impact on Group Own Funds of the PPMSA acquisition was an increase of £10.4m, along with an increase of £23.8m in the Group's SCR, reducing the Group Solvency Surplus by £13.4m. These movements were not material enough to impact the Solvency Ratio in whole percentage terms.

A.1.4.5 Major Model Change (M&G plc and PAC)

A Major Model Change application for the Solvency II Internal Model for the M&G plc group was submitted to the PRA during 2021 and approval was received to use the revised Internal Model for the 31 December 2021 valuation. Changes primarily related to the modelling of credit risk to reflect the different characteristics of the Group's credit risky holdings. The impact of the changes are a £89m increase in PAC's shareholder fund surplus and a £170m reduction in PAC's with-profits fund surplus.

A.1.4.6 Dividends (M&G plc and PAC)

The M&G plc Board declared an ordinary dividend of 12.2 pence per share, totaling £310m, that was paid on 28 April 2021. An interim ordinary dividend of £156m was paid on 29 September 2021, equal to 6.1 pence per share. For details of a second interim dividend, please see section A.5.4.

During 2021, the Group's main regulated subsidiaries paid dividends to their parent company. PAC paid dividends totaling £1,550m and MGG paid dividends of £142m.

A.1.4.7 Changes in longevity assumptions (M&G plc and PAC)

During 2021, 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') 2019) have been updated. The CMI tables used are adjusted as appropriate each year to reflect anticipated mortality improvements, and on a statutory basis include an appropriate margin for prudence. The longevity model has been updated to reflect emerging experience and enhancements to the experience data. Mortality experience was significantly heavier over 2020 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 experience (in line with industry approach). The overall impact for M&G plc and PAC was an £89m increase in Solvency II surplus and a £125m increase in adjusted operating profit.

A.1.4.8 SAIF Merger (M&G plc and PAC)

On 1 April 2021 SAIF, a ring-fenced with-profits sub-fund, merged with PAC's main WPSF and the assets and liabilities of SAIF were combined with those of the WPSF. SAIF policies continue to participate in profits on a 100:0 basis with no shareholder profit transfers.

The merger resulted in a £204m reduction in Solvency II surplus of the WPSF due to the need to reserve for future claim enhancements on a realistic economic basis. This did not have a material impact on M&G plc and PAC's shareholder solvency position as the financial impact was limited to the With-Profits Fund which is subject to ring-fenced fund restrictions.

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.

In addition, during 2021 PAC contributed £40m of capital to PIA, one of its subsidiary undertakings, to provide PIA with increased capital flexibility.

A.2 Underwriting performance

M&G plc's consolidated statutory financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the UK. The IFRS consolidated financial statements are published within the M&G plc 2021 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 described in Note 3 to the consolidated financial statements within the M&G plc 2021 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 Business and performance (continued)

A.2 Underwriting performance (continued)

A.2.1 Adjusted operating profit before tax overview

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

Figure 11: Adjusted operating profit before tax

	For the year ended 31 December						
	2021			2020			
	M&G plc	PAC	PPL	M&G plc	PAC	PPL	
	£m	£m	£m	£m	£m	£m	Section
Adjusted operating profit before tax	**721**	**641**	**1**	788	664	2	A.2.2
Short-term fluctuations in investment returns	**(537)**	**(548)**	**(2)**	678	667	1	A.3.1
Profit/(loss) on disposal of business and corporate transactions	**35**	**—**	**—**	—	—	—	A.4.1
Restructuring and other costs[1]	**(146)**	**(18)**	**—**	(73)	(20)	—	A.4.1
Amortisation of intangibles acquired in business combinations	**(4)**	**—**	**—**	—	—	—	
Statutory profit attributable to non-controlling interests	**12**	**—**	**—**	4	—	—	
Statutory profit before tax attributable to equity holders	**81**	**75**	**(1)**	1,397	1,311	4	
Tax credit/(charge)	**11**	**3**	**—**	(255)	(244)	(1)	
Statutory profit after tax attributable to equity holders	**92**	**78**	**(1)**	1,142	1,067	2	

[1] 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 2021, restructuring and other costs includes £48m in respect of our future ways of working and associated changes to our office space, and £45m of costs in relation to the integration of Ascentric. The £48m cost for future ways of working and associated changes to our office space includes an impairment of £29m in respect of property, plant and equipment.

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

			For the year ended 31 December	
			2021	2020
Segment	Business	Solvency II line of business	**£m**	£m
Asset Management[1]	Core Asset Management	N/A	277	284
	Performance fees and investment income	N/A	38	46
	Total Asset Management	**N/A**	**315**	**330**
Retail and Savings	**Wealth**		**41**	**(11)**
	- of which with-profits	*Insurance with-profit participation[2]*	*63*	*19*
	- of which Platform and Advice	*N/A*	*(4)*	*(2)*
	- of which other Wealth	*Other*	*(18)*	*(28)*
	Heritage		**620**	**699**
	- of which traditional with-profits	*Insurance with-profit participation[3]*	*205*	*202*
	- of which shareholder annuities	*Other*	*369*	*438*
	- of which other Heritage	*Other*	*46*	*59*
	Other		**(1)**	13
	Total Retail and Savings	**N/A**	**660**	**701**
Corporate Centre		**N/A**	**(254)**	**(243)**
Adjusted operating profit before tax			**721**	**788**

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

For the year ended 31 December 2021, adjusted operating profit before tax was £721m (2020: £788m).

In Asset Management, revenue and operating expenses have remained relatively stable, and the reduction in adjusted operating profit to £315m (2020: £330m) is mainly driven by lower performance fees.

Retail and Savings adjusted operating profit reduced to £660m (2020: £701m). Whilst benefit was seen in both years from longevity assumption changes in annuities, these have reduced year on year. Partially offsetting this was the total with-profits shareholder transfer (net of hedging and other items) increasing by £47m to £268m, primarily as a result of improved market conditions leading to positive unit price adjustments being made to PruFund and higher outflows from Retirement Account.

A Business and performance (continued)

A.2 Underwriting performance (continued)

Corporate centre adjusted operating losses increased to £254m (2020: £243m). With Head office costs of £95m (2020: £101m) remaining stable, the increased loss is largely driven by adverse foreign exchange movements on the USD subordinated debt.

The IFRS profit after tax attributable to equity holders decreased to £92m compared to £1,142m in 2020. This £1,050m variance is reflective of a £537m loss in the year (2020: £678m gain) from short-term fluctuations, as financial markets recovered and the sizeable gains seen in 2020 from the derivatives held to protect the Solvency II capital position, mainly within PAC, are reversed, and an increase of £73m in restructuring and other costs, offset by profit on corporate transactions in the year and a reduction in tax attributable to equity holders.

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 2021 and relative to the prior year, as well as other KPMs, is detailed in the 'Business and financial review' of the M&G plc 2021 Annual Report and Accounts.

PAC

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

	For the year ended 31 December	
	2021	2020
	£m	£m
Insurance with-profits participation [1]	**268**	221
Shareholder annuities	**369**	438
Other [2]	**4**	5
Adjusted operating profit before tax	**641**	664

[1] 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'.
[2] Other is comprised of gains on unit linked business.

PAC's total adjusted operating profit before tax of £641m (2020: £664m) was 3% lower than seen in 2020. This consists of £268m (2020: £221m) relating to the shareholder transfer and associated hedges from the With-Profits Fund, £369m (2020: £438m) relating to the annuity business, and a profit of £4m (2020: £5m 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 £172m (2020: £188m), assumption changes of £135m (2020: £184m) (namely longevity, £125m, as noted in section A.1.4.7) and a profit of £31m (2020: £38m charge) 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 profit before tax attributable to shareholders decreased by £1,236m to £75m at 31 December 2021 (2020: £1,311m) reflecting the fall in adjusted operating profit before tax of £23m, a £1,215m reduction in short-term fluctuations in investment returns consistent with M&G plc, and a £2m 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 2021 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 fall in adjusted operating profit before tax over 2021 was largely as a result of an increase in expenses.

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.

A Business and performance (continued)

A.3 Investment performance (continued)

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

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

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

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

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

Market conditions have led to losses from short-term fluctuations in investment returns in 2021 as financial markets recovered and the sizeable gains seen in 2020 from the derivatives held to protect the Solvency II capital position are reversed.

Short-term fluctuations for M&G plc and PAC for the year ended 31 December 2021 primarily comprise a £99m loss (2020: £286m gain) from the annuity portfolio, including fair value movements on the surplus assets and a £103m loss (2020: £118m gain) 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.

In addition, there was a £248m loss (2020: £235m gain) as stock markets recovered in the period on the equity hedges used to protect the value of future shareholder transfers from the With-Profits Fund on PAC's Solvency II balance sheet. While these hedges protect the Solvency II balance sheet, there is no corresponding item to protect on the IFRS balance sheet, and therefore when the fair value of the derivatives fall as interest rates increase and equity markets improve, there are no offsetting fair value gains on an IFRS basis.

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 £165m (2020: £191m) for M&G plc, £319m (2020: £372m) for PAC and £17m (2020: £15m) for PPL.

The decrease in PAC's investment management fees has been driven mainly by a lower volume of transactions in 2021 compared to 2020.

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 2021, the value meeting the definition of investments in securitisations was £3,077m (2020: £3,991m) for M&G plc, £2,815m (2020: £3,725m) for PAC and £64m (2020: £104m) 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)
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 PPMSA, offset by a £16m loss, within PAC, from the transfer of the annuity portfolio to Rothesay Life PLC. Further details on the PPMSA acquisition and transfer to Rothesay are included in section A.1.4.3 and in Note 2 of the M&G plc 2021 Accounts. There were no such adjusting items for the year ended 31 December 2020.

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 one-off Group-wide restructuring and transformation and are therefore excluded from adjusted operating profit before tax. For the year ended 31 December 2021, restructuring and other costs were £146m (2020: £73m) for M&G plc, £18m (2020: £20m) for PAC and £0.1m (2020: nil) 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.

A Business and performance (continued)

A.4 Performance of other activities (continued)

M&G plc and PAC as a lessor

The Group lets investment properties to tenants through operating leases. As at 31 December 2021, investment properties with a fair value of £19,698m (2020: £19,106m) were held by M&G plc and £7,840m (2020: £7,665m) were held by PAC principally in the With-Profits Fund.

In addition, a further £74m (2020: £66m) for M&G plc and £42m (2020: £33m) for PAC of assets are leased under finance leases.

For the year ended 31 December 2021 rental income from investment property was £973m (2020: £997m) for M&G plc and £440m (2020: £442m) for PAC. Direct operating expenses including repairs and maintenance arising from these properties for the year ended 31 December 2021 were £123m (2020: £99m) for M&G plc and £70m (2020: £74m) for PAC.

In addition, M&G plc has invested in a collective investment undertaking that is in the business of leasing out fixed aviation assets for commercial use under both operating and finance leases. Under IFRS, M&G plc's holding is consolidated on a line by line basis as it has been assessed to exercise control over the undertaking. However, given its nature, it is treated as a single line participation on the Solvency II balance sheet and the lease assets are reflected within this value instead. As at 31 December 2021, the value of the assets for which M&G plc acts as a lessor under operating and finance leases are £724m and £285m respectively.

M&G plc as a lessee

As at 31 December 2021, M&G plc had lease liabilities of £413m (2020: £354m) primarily related to operating leases over land and buildings utilised as office space, of which £34m (2020: £34m) are attributable to the With-Profits Fund. This includes office space leased by PAC discussed below.

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 2021 is £1m (2020: £61m).

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 is due to expire in September 2022, however the lease has now been set aside and a provision created for the remaining costs. 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.

The total operating lease expense in 2021 was £2m (2020: £4m).

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 profit after tax for the year ended 2021 was £92m (2020: £1,142m), 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.

A Business and performance (continued)

A.5 Any other information (continued)

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

	For the year ended 31 December	
	2021	2020
	£m	£m
Gross premiums earned	**4,784**	5,796
Outward reinsurance premiums	**(1,019)**	(927)
Earned premiums, net of reinsurance	**3,765**	4,869
Investment return	**12,909**	9,255
Fee income	**983**	1,031
Other income	**115**	61
Total revenue, net of reinsurance from continuing operations	**17,772**	15,216
Benefits and claims	**(3,551)**	(12,674)
Outward reinsurers' share of benefit and claims	**(8,480)**	1,477
Movement in unallocated surplus of the With-Profits Fund	**(1,052)**	433
Benefits and claims and movement in unallocated surplus of the With-Profits Fund, net of reinsurance from continuing operations	**(13,083)**	(10,764)
Administrative and other expenses	**(2,884)**	(2,734)
Movements in third-party interest in consolidated funds	**(1,019)**	109
Finance costs	**(160)**	(167)
Total charges, net of reinsurance from continuing operations	**(17,146)**	(13,556)
Share of (loss)/profit from joint ventures and associates	**81**	(55)
Profit before tax from continuing operations[1]	**707**	1,605
Tax charge attributable to policyholders' returns	**(626)**	(208)
Profit before tax attributable to equity holders from continuing operations	**81**	1,397
Total tax charge	**(615)**	(463)
Less tax charge attributable to policyholders' returns	**626**	208
Tax charge attributable to equity holders	**11**	(255)
Profit after tax attributable to equity holders from continuing operations	**92**	1,142
Profit after tax for the year attributable to equity holders from discontinued operations	**—**	—
Profit for the year	**92**	1,142

[1] 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 2021 totalled an income of £37m net of tax (2020: £78m expense). 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 2021 Annual Report and Accounts.

A Business and performance (continued)

A.5 Any other information (continued)

PAC

Profit after tax for the year ended 2021 was £78m (2020: £1,067m), 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	
	2021	2020
	£m	£m
Gross premiums earned	**4,717**	5,730
Outward reinsurance premiums	**(996)**	(904)
Recaptured reinsurance premiums	**—**	—
Earned premiums, net of reinsurance	**3,721**	4,826
Investment return	**10,564**	7,650
Other income	**13**	9
Total revenue, net of reinsurance	**14,298**	12,485
Claims incurred and changes in other long-term business and technical provisions	**(4,669)**	(12,215)
Claims incurred and changes in other long-term business and technical provisions - reinsurers share	**(7,018)**	1,354
Change in technical provision for linked liabilities	**225**	531
Claims incurred and changes in other long-term business and technical provisions – Net of reinsurance	**(11,462)**	(10,330)
Movement in unallocated surplus of the With-Profits Fund	**(1,745)**	266
Net operating expenses	**(647)**	(686)
Investment expenses and charges	**(328)**	(419)
Other charges	**(41)**	(4)
Profit before tax (being tax attributable to shareholders' and policyholders' returns)	**75**	1,311
Tax credit attributable to policyholders' returns	**3**	(244)
Profit for the financial year	**78**	1,067

Other comprehensive income in 2021 totaled an income of £16m net of tax (2020: £50m expense). 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 2021 was £1m (2020 profit after tax: £2m), 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	
	2021	2020
	£m	£m
Investment return	**636**	679
Unrealised gains/(losses) on investments	**(186)**	93
Other income	**24**	22
Total revenue, net of reinsurance	**473**	794
Change in provision for claims - gross amount	**(7)**	(1)
Change in provision for claims - reinsurers' share	**7**	1
Change in technical provisions for linked liabilities	**(448)**	(768)
Net operating expenses	**(3)**	(5)
Investment expenses and charges	**(17)**	(15)
Foreign exchange gains/(losses)	**(4)**	(1)
Foreign taxation	**(2)**	(1)
Profit on ordinary activities before tax	**(1)**	4
Tax attributable to shareholders and policyholders	**—**	(1)
(Loss) / Profit after tax	**(1)**	2

A Business and performance (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), in respect of continuing operations, as presented in the IFRS consolidated income statement.

Figure 17: Geographical segmentation of earned premiums and other income

	For the year ended 31 December	
	2021	2020
	£m	£m
UK:		
Earned premiums, net of reinsurance	**3,213**	4,280
Other income	**805**	768
Total UK	**4,018**	5,048
Rest of the world:		
Earned premiums, net of reinsurance	**552**	589
Other income	**293**	324
Total Rest of the world	**845**	913
Total:		
Earned premiums, net of reinsurance	**3,765**	4,869
Other income	**1,098**	1,092
Total	**4,863**	5,961

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 is allocated based on customer and client domicile.

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
2021	**Premiums earned - gross**	**14**	**4,357**	**1,473**	**193**	**23**	**6,060**
	Outward reinsurance premiums	**(4)**	**—**	**(27)**	**(993)**	**(1)**	**(1,025)**
	Earned premiums, net of reinsurance	**10**	**4,357**	**1,446**	**(800)**	**22**	**5,035**
2020	Premiums earned - gross	15	5,310	1,646	261	25	7,257
	Outward reinsurance premiums	(2)	—	(24)	(902)	(1)	(929)
	Earned premiums, net of reinsurance	13	5,310	1,622	(641)	24	6,328

The gross premiums of £6,060m (2020: £7,257m) shown in Figure 18 is £1,276m higher (2020: £1,461m 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 (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 £m	Insurance with profit participation £m	Index-linked and unit-linked insurance £m	Other life insurance £m	Accepted life reinsurance £m	Total £m
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**
2020	Premiums earned - gross	14	4,756	444	247	570	6,031
	Outward reinsurance premiums	(2)	—	(312)	(900)	(1)	(1,215)
	Earned premiums, net of reinsurance	12	4,756	132	(653)	569	4,816

Premiums for PAC decreased by £1,060m from £6,031m in 2020 to £4,971m in 2021.

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 fell over 2021 as a result of pandemic related restrictions on face-to face advice and other changes in market dynamics.

The gross premiums of £4,971m (2020: £6,031m) shown in Figure 19 is £254m higher (2020: £301m 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 £m	Other life insurance £m	Accepted life reinsurance £m	Total £m
2021	**Premiums earned - gross**	**916**	**—**	**254**	**1,170**
	Outward reinsurance premiums	**—**	**—**	**—**	**—**
	Earned premiums, net of reinsurance	**916**	**—**	**254**	**1,170**
2020	Premiums earned - gross	1,085	—	293	1,378
	Outward reinsurance premiums	—	—	—	—
	Earned premiums, net of reinsurance	1,085	—	293	1,378

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 2021 were £1,170m (2020: £1,378m). The reduction of £208m is primarily due to lower single premium receipts from PPL's direct group pension business.

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
2021	**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)**
2020	Claims incurred and changes in other long-term business and technical provisions, gross of reinsurance	(37)	(8,664)	(2,583)	(2,622)	(62)	(13,967)
	Reinsurers share of claims incurred and changes in other long-term business and technical provisions	34	2	(3)	1,450	—	1,482
	Claims incurred and changes in other long-term business and technical provisions, net of reinsurance	(3)	(8,662)	(2,586)	(1,172)	(62)	(12,485)

A Business and performance (continued)

A.5 Any other information (continued)

The 'Claims incurred and changes in other long-term business technical provisions, net of reinsurance' of £13,341m (2020: £12,485m) differs from £12,031m (2020: £11,197m) 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 £4,877m in 2021 (2020: £13,967m). This reflects benefit and claim payments of £16,398m (2020: £14,559m) and a £11,521m (2020: £591m) 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
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)**
2020	Claims incurred and changes in other long-term business and technical provisions, gross of reinsurance	(37)	(8,022)	(1,052)	(2,641)	(743)	(12,495)
	Reinsurers share of claims incurred and changes in other long-term business and technical provisions	34	1	647	1,447	(2)	2,127
	Claims incurred and changes in other long-term business and technical provisions, net of reinsurance	(3)	(8,021)	(405)	(1,194)	(745)	(10,368)

The Claims incurred and changes in other long-term business and technical provisions, net of reinsurance of £11,515m analysed in Figure 15 above, differs from £11,462m 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 £12m (2020: £21m) of claims handling expenses and a reduction in other charges of £6m (2020: £49m increase). These amounts are not included in the benefits and claims net of reinsurance (£11,515m) analysed above in Figure 22 on a Solvency II basis, which also includes £71m (2020: £9m) 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) have reduced by 70% from £12,495m in 2020 to £3,735m in 2021. The £8,760m reduction consists of a £10,909m decrease in Other Life Insurance and accepted Life reinsurance largely due to the Part VII transfer of annuities business in 2021, offset by a £2,207m increase in insurance with profit participation and index-linked and unit-linked insurance mainly due to positive investment returns in 2021.

The £9,908m reduction in the reinsurers share was primarily driven by the derecognition of the reinsurance asset following the Part VII transfer of annuities business in 2021.

A Business and performance (continued)

A.5 Any other information (continued)

PPL

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

For the year ended 31 December		Index-linked and unit-linked insurance £m	Other life insurance £m	Accepted life reinsurance £m	Total £m
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)**
	Claims incurred and changes in other long-term business and technical provisions, net of reinsurance	**(918)**	**—**	**(700)**	**(1,618)**
2020	Claims incurred and changes in other long-term business and technical provisions, gross of reinsurance	(1,556)	(4)	(477)	(2,038)
	Reinsurers share of claims incurred and changes in other long-term business and technical provisions		4		4
	Claims incurred and changes in other long-term business and technical provisions, net of reinsurance	(1,556)	—	(477)	(2,033)

PPL made payments to policyholders of investment contracts of £1,618m (2020: £2,033m). The decrease of £415m is mainly attributable to larger corporate pension scheme exits in 2020 compared to 2021. PPL's other life insurance business consists of an annuity product which is closed to new business. Claims of £3m (2020: £4m) were paid to policyholders, but this was fully recovered from PAC as part of a reassurance agreement.

A.5.3.3 Acquisition costs and other expenditure

M&G plc

Total administrative expenses were £2,884m (2020: £2,734m). Administrative expenses included £145m (2020: £178m) related to acquisition costs and amortisation/impairment of deferred acquisition costs, £200m (2020: £224m) of commission expenses, and £165m (2020: £191m) of investment management expenses.

A more detailed analysis of the Group's administrative expenses is provided in Note 6 of the M&G plc 2021 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 £647m (2020: £686m). Net operating expenses included £518m (2020: £535m) related to administrative expenses and £129m (2020: £151m) related to acquisition costs and amortisation/impairment of deferred acquisition costs. Investment expenses and charges are comprised of investment management expenses of £319m (2020: £372m), plus interest on bank borrowings of £9m (2020: £47m).

Administration expenditure has increased by £17m mainly due to increased transformation costs, operating expenses and project costs in 2021. 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 £0.2m (2020: £0.2m) and administrative expenditure of £3.5m (2020: £4.4m). Investment expenses and charges of £16.9m (2020: £14.4m) are comprised solely of investment management expenses.

Administrative expenditure has decreased by £1.5m mainly due to reduced staff costs, accommodation costs, outsourcing and project expenditure in 2021. This is offset by a £0.6m increase in IT costs, IFRS 17 and other transformation costs. The increase in investment management expenses is detailed in section A.3.2.

A Business and performance (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	
	2021	2020
	£m	£m
Income		
Investment properties	**973**	997
Loans	**208**	237
Equity securities and portfolio holdings in unit trusts	**2,072**	1,679
Debt securities	**1,967**	2,159
Other investments (including deposits)	**9**	35
Total income	**5,229**	5,107
Investment gains/(losses) and other investment return		
Investment properties	**1,258**	(752)
Loans	**32**	(8)
Equity securities and portfolio holdings in unit trusts	**9,298**	(533)
Debt securities	**(2,732)**	4,092
Derivatives	**(56)**	1,527
Foreign exchange	**(120)**	(178)
Total investment gains and other investment return	**7,680**	4,148
Total investment return	**12,909**	9,255

For the year ended 31 December 2021 rental income from investment property was £973m (2020: £997m). Direct operating expenses including repairs and maintenance arising from these properties for the year ended 31 December 2021 were £123m (2020: £99m).

Total investment returns increased to £12,909m (2020: £9,255m), primarily as a result of improved equity markets, offset in part by unrealised losses on debt securities, as US and UK yields have risen during 2021.

PAC

Figure 25: PAC - Investment return

	For the year ended 31 December	
	2021	2020
	£m	£m
Income		
Investment properties	**440**	442
Loans	**146**	159
Equity securities and portfolio holdings in unit trusts	**2,241**	2,013
Debt securities	**1,676**	1,975
Other investments (including deposits)	**91**	114
Total income	**4,594**	4,703
Investment gains/(losses) and other investment return		
Investment properties	**644**	(494)
Loans	**(58)**	(35)
Equity securities and portfolio holdings in unit trusts	**8,067**	(1,274)
Debt securities	**(2,450)**	3,361
Derivatives	**(135)**	1,556
Foreign exchange	**(98)**	(167)
Total investment gains and other investment return	**5,970**	2,947
Total investment return	**10,564**	7,650

Total income has decreased by £109m from £4,703m in 2020 to £4,594m in 2021. Equity securities contributed an increase of £228m, this was more than offset by a £23m decrease in other investments (including deposits) and a £299m decrease in debt securities income.

Investment return from equity securities and portfolio holdings in unit trusts has increased by £9,341m from a loss of £1,274m in 2020 to a gain of £8,067m primarily due to positive investment returns on equities in 2021 and realisation of gains on disposals during the year. Investment return from debt securities has reduced by £5,811m with negative returns of £2,450m in 2021 mainly due to valuation losses; rising interest rates leading to lower bond prices. Returns from derivatives have also decreased by £1,691m from a gain of £1,556m in 2020 to a loss of £135m in 2021, due to realised gains outweighed by valuation losses.

A Business and performance (continued)

A.5 Any other information (continued)

Returns from investment property has increased by £1,138m from a loss of £494m to a gain of £644m. In particular industrials and distribution, and retail warehouse sectors saw the most significant gains.

PPL

Figure 26: PPL - Investment return

	For the year ended 31 December	
	2021	2020
	£m	£m
Income		
Equity securities and portfolio holdings in unit trusts	**421**	252
Debt securities	**209**	418
Other investments (including deposits)	**5**	9
Total income	**636**	679
Investment gains/(losses) and other investment return		
Equity securities and portfolio holdings in unit trusts	**200**	(52)
Debt securities	**(383)**	144
Other investments (including deposits)	**(3)**	1
Total investment (losses)/gains and other investment return	**(186)**	93
Foreign exchange	**(4)**	(1)
Total investment return from continuing operations	**446**	771

During 2021 there has been a decrease in total investment return which is mainly due to fair value losses on debt securities as a result of the positive market conditions in 2021.

A.5.4 Post balance sheet events

Post balance sheet acquisitions (M&G plc)

On 6 January 2022, the Group, via M&G Group Regulated Entity Holding Company Limited acquired a 100% holding in Clear View Assured Limited, the controlling Parent Company of Sandringham Financial Partners Limited ("Sandringham"), a fast-growing provider of independent financial advice. From 6 January 2022 the results of Sandringham and Clear View Assured Limited will be consolidated in the Group's financial statements.

In addition, on 27 January 2022, the Group agreed to acquire a controlling stake in responsAbility Investments AG ("responsAbility"), a leader in impact investing focused on private debt and private equity across emerging markets, subject to regulatory approvals. The Group will initially acquire approximately 90% of the issued share capital of the company and expects to acquire the remaining 10% in due course. Subject to all conditions necessary for the transaction to be executed being met, the Group will consolidate the results of responsAbility from the acquisition date.

In addition to the two acquisitions set out above:

– In January 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; and

– In February the Group acquired the investment manager TCF Fund Managers LLP to become a provider of model portfolio services.

The expected initial financial outlay for all of the investments set out above is around £260m subject to foreign exchange and pre-closing acquiree performance.

Share buy-back programme (M&G plc)

M&G plc has announced its intention to return £500m to shareholders by way of a share buy-back programme, which has recently started and is expected to complete within 12 months.

Launch of Future+ in Europe (M&G plc & PAC)

During Q4 2021, the final regulatory step was completed, allowing the offering of a smoothed retail investment product into European markets, modelled on the popular PruFund proposition in the UK. The Group anticipates strong demand from cautious customers looking for alternatives to low-yielding cash and equivalents. The first financial subscriptions were received in Q1 2022.

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

On 25 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 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 has been shared by increasing the unit price by 1.25%.

A Business and performance (continued)

A.5 Any other information (continued)

Dividend payments (M&G plc & PAC)

M&G plc

On 8 March 2022, M&G plc declared a second interim dividend for 2021 of 12.2 pence per ordinary share and, an estimated £311m in total. The dividend is expected to be paid on 28 April 2022. This dividend was not deemed foreseeable as at 31 December 2021 and therefore not deducted from own funds.

PAC

On 3 March 2022 the Company approved a final dividend in respect of 2021 of £333m to be paid to M&G plc. This is not recognised in the 2021 financial statements or the Solvency II position at 31 December 2021 as it is not considered a foreseeable dividend.

Change in external auditors - 2022 onwards (M&G plc, PAC & PPL)

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 which was approved by the Board.

Consequently, KPMG will resign as the Group's statutory auditor at the conclusion of the 2021 audit and the Board will resolve to appoint PwC to fill the vacancy.

A resolution to appoint PwC as auditor will be recommended to M&G plc's shareholders for approval at the Annual General Meeting expected to take place on 25 May 2022.

Changes to the Board

As discussed in Section B.1.2, the following changes have been made to the Board since the 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 will join as the new Group Chief Financial Officer in May 2022, subject to regulatory approval.
- Dev Sanyal will be joining the Board on 16 May 2022.

B System of governance (Unaudited)

B.1 General information on the system of governance

B.1.1 Overview

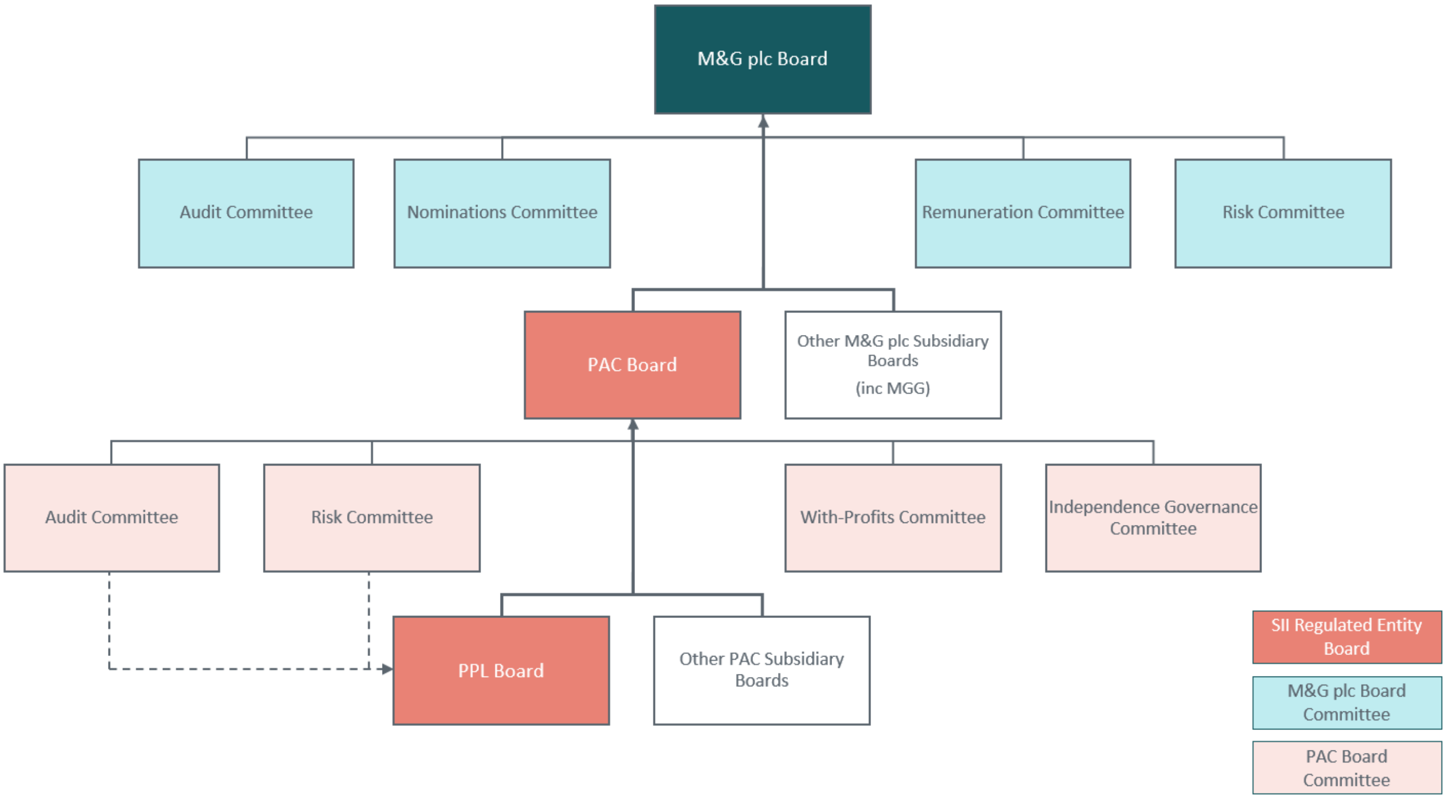
The PRA requires that firms have in place an effective system of governance, which provides for the sound and prudent management of the business. The system of governance must include an adequate and transparent organisational structure with clear allocation and appropriate segregation of responsibilities.

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 2021 is set out in Figure 27 below.

Figure 27: Boards and Committees as at 31 December 2021



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 (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 six members as at 31 December 2021:

- An interim Chair and permanent Senior Independent Director ("SID"): Fiona Clutterbuck.
- Four independent NEDs: Massimo Tosato, Clive Adamson, Clare Chapman and Clare Thompson (also interim Senior Independent Director).
- An Executive Director: John Foley, the Chief Executive Officer ("CEO").

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

B System of governance (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 2021

Committee	Responsibilities
Audit *Chair: Clare Thompson*	– Reviewing the effectiveness of the system of internal financial controls and internal control systems and whistleblowing procedures. – Reviewing the financial statements, related announcements and other financial information provided to shareholders and other stakeholders. – Monitoring and reviewing internal audit activities, reports and findings. – Receiving and reviewing reports from external auditors. – Monitoring the effectiveness and independence of external auditors and making recommendations to the Board in respect of their remuneration.
Remuneration *Chair: Clare Chapman*	– Establishing, approving and maintaining the principles and framework of the remuneration policies and ensuring compliance with those policies. – Determining the design, implementation and operation of remuneration arrangements for the Chair, the Executive Directors, members of senior management, and certain other individuals identified by relevant regulations.
Nomination *Chair: Fiona Clutterbuck*	– Overseeing the composition of the Board and its committees. – Assisted by HR, recruitment of new Board members. – Succession planning for the Board and its Committees. – Taking an active role, together with HR and other management, with respect to the diversity and inclusion strategy and associated objectives, including monitoring of their effectiveness.
Risk *Chair: Clive Adamson*	– Advising the Board on emerging risks, risk strategy, risk policies, risk appetite and current risk exposures. – Overseeing the implementation and maintenance of the overall RMF and systems. – Overseeing procedures for detecting fraud, preventing bribery and noncompliance. – Reviewing risk assessment processes and capability to identify and manage new risks. – Assessing risks related to ESG matters within the RMF.

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 2021

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.

B System of governance (continued)

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

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 2020:

- Clare Chapman joined the M&G plc Board on 15 March 2021.
- Robin Lawther, Mike Evans (after a leave of absence from 11 January 2021) and Clare Bousfield stepped down from the M&G plc Board with effect from 15 March 2021, 1 April 2021 and 1 October 2021 respectively.
- Clare Bousfield and Jack Daniels have been appointed Managing Directors for the Retail and Savings business and Asset Management business respectively, with Paul Cooper taking on the role of Interim Chief Financial Officer. Paul Cooper will be stepping down as Interim Chief Financial Officer following the arrival of Kathryn McLeland as the new Group Chief Financial Officer in May 2022. Kathryn's appointment is subject to regulatory approval.
- 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.
- Catherine Ross joined the Executive Committee on 1 March 2021, and Paul Cooper joined on 1 October 2021 and will step down following the arrival of the new Chief Financial Officer in May 2022.
- Following the sad and untimely death of Roddy Thomson in 2021, Vanessa Murden has been appointed to fill his role as Chief Operating Officer from May 2022. This role is regulated and regulatory approval has not yet been obtained. Chris Cochrane was appointed Interim Chief Operating Officer effective 01 January 2022 with Clare Bousfield and Matt Howells jointly supporting the function until 31 December 2021.
- Julian Adams retired and stepped down from the Executive Committee with effect from 18 October 2021 with Julian's responsibilities passing to Peter Grewal who became Chief Risk and Compliance Officer. The Government Relations and Regulatory Affairs aspects of Julian's role transferred to Matt Howells as part of his new Chief People & Corporate Affairs Officer role described below.
- Irene McDermott Brown retired and stepped down from the Executive Committee with effect from 31 December 2021 with Irene's responsibilities passing to Matt Howells who became Chief People and Corporate Affairs Officer effective 1 January 2022. This role is regulated and regulatory approval has not yet been obtained.
- Graham Mason retired and stepped down from the Executive Committee with effect from 31 December 2021. The role has been withdrawn from the committee.
- Jane Hollis joined the Executive Committee as new Chief of Staff with effective from 01 January 2022.

B.1.2.2 PAC

Composition of the PAC board

The PAC board comprised ten members as at 31 December 2021:

- 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.
- Three Executive Directors: John Foley (also the Chief Executive of M&G plc), the Managing Director for Retail and Savings, Clare Bousfield and the PAC Chief Financial Officer, Paul Cooper (also the Interim Chief Financial Officer of M&G plc).

The operational management of PAC is delegated to the Chief Executive Officer for PAC. This role sits within the remit of the Managing Director for Retail and Savings, held by Clare Bousfield, and is subject to regulatory approval.

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 the PAC subsidiaries 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.

B System of governance (continued)

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

PAC board and Executive Committees

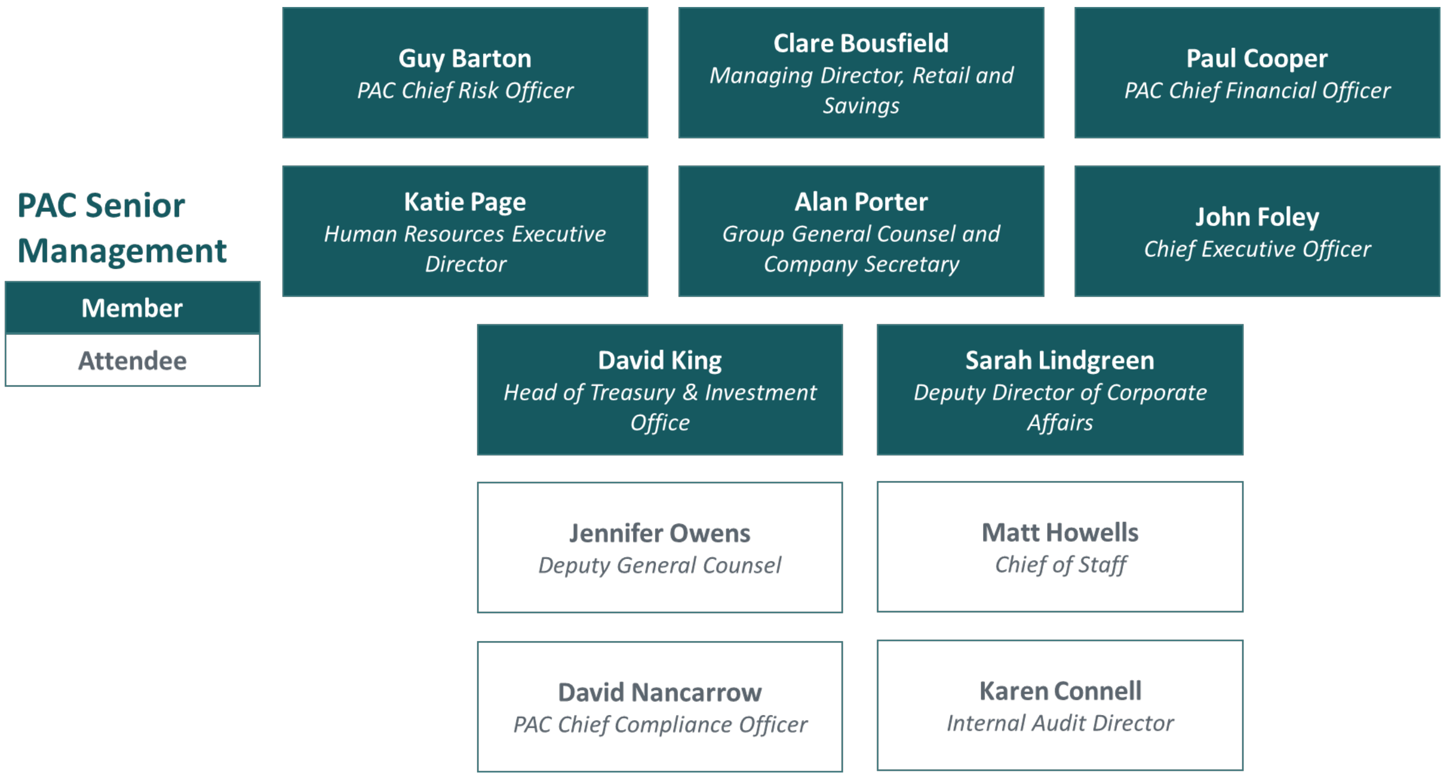
The PAC board has delegated certain responsibilities to its committees as detailed in Figure 31 below. The committees assist the PAC board in meeting its responsibilities in respect of PAC; direct subsidiaries PPL, Prudential Lifetime Mortgages Limited and subsidiaries Prudential Distributions Limited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

Figure 31: Summary of the role of PAC Board Committees as at 31 December 2021

Committee	Responsibilities
Audit *Chair: David Watson* **Risk** *Chair: Clive Adamson*	– The terms of reference for the PAC Audit and Risk Committees are broadly consistent with those of the M&G plc Audit and Risk Committees described in Figure 29 in the context of PAC as an entity of the Group.
With-Profits *Chair: Robert Talbut*	– Inform the decision making of the PAC board and of each of its relevant subsidiaries. – Ensure that the interests of with-profits policyholders are appropriately considered within PAC's governance structures. – To consider issues affecting with-profits policyholders as a whole or as separately identifiable groups of policyholders.
Independent Governance *Chair: Bruce Rigby*	– 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. – Focus on the quality of the schemes and ongoing review of compliance with regulatory and legislative requirements.

The PAC board and its committees are supported in their duties by senior management. In particular, the PAC Executive Committee shown in Figure 32 below advises the CEO on any matters they require including, but not limited to providing input and appropriate information which may impact the setting of PAC's strategic direction and targets and providing regular updates on material issues affecting PAC or its subsidiaries.

Figure 32: Composition of the PAC senior management team (Executive Committee) as at 31 December 2021



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)

B System of governance (continued)

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

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.

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 2020:

- The Scottish Amicable board was disbanded on 1 April 2021 following the merger of SAIF with the With-Profits Sub Fund.
- Ronnie Bowie replaced Paul Spencer as Chair of the PAC board and stepped down as Chair of the With-Profits Committee on 5 February 2021.
- Robert Talbut became Chair of the With-Profits Committee on 5 February 2021 with regulatory approval received on 2 March 2021.
- Joanne Dawson resigned from the PAC board on 1 April 2021. Louise Fowler and Mariken Tannemaat were appointed to the PAC board on 18 June 2021 and 21 September 2021 respectively.
- Paul Cooper will be stepping down as PAC Chief Financial Officer in 2022.

B.1.2.3 PPL

Composition of the PPL board

The PPL board comprised three members as at 31 December 2021:

- An independent NED and Chairman, Ronnie Bowie.
- Two Executive Directors, namely, the Chief Executive Officer of PPL, Clare Bousfield (also the PAC Managing Director for Retail and Savings) and the PPL Chief Financial Officer, Paul Cooper (also the M&G plc Interim Chief Financial Officer and PAC Chief Financial Officer).

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, PAC Risk Committee and PAC Executive 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 members of the PAC Executive Committee 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

In addition to the changes in relation to Clare Bousfield and Paul Cooper described in Section B.1.2.1, Ronnie Bowie was appointed as NED and Chairman of the PPL Board as of 4 February 2021 following Paul Spencer stepping down from the role.

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 (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	– 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. – Simple and transparent incentives provide clear alignment of objectives and performance with the financial and non-financial strategic priorities. – 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. – Balancing the interest of shareholders and customers through the combination of performance measures adopted in the incentive schemes that mitigate the risk of conflicts of interest. – Strong alignment between remuneration and the long-term interests of the Company. Key focus on positive customer outcomes and quality of customer engagement. – 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. – Promotion of a positive culture for employees and customers with demonstrable alignment to remuneration outcomes.
Remuneration Policy	– Promote the long-term success of the Group. – Attract, motivate and retain the best talent to help ensure continued growth and success of the Group. – 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. – Align the interests of the Executive Directors, Senior Managers and employees with the interests of current and future shareholders and other stakeholders. – 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. – Be simple and transparent, both externally and to Colleagues. – Be compliant with relevant remuneration regulation requirements.

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.

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 (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 themself 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 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 2021, no such transactions have been disclosed.

Transactions with shareholders

Transactions with shareholders are described in Section A.1.4.6.

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. Figure 34 below provides a summary of compensation of key management personnel for M&G plc and PAC. Note that some senior management hold roles within both M&G plc and PAC and therefore will be captured twice within the table.

Figure 34: Compensation of key management personnel for the year ended 31 December

	M&G plc		PAC	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Salaries and short-term benefits	**12.2**	11.7	**2.2**	1.9
Post-employment benefits	**0.6**	0.6	**0.1**	0.1
Share-based payments	**7.2**	4.0	**0.9**	0.4
Total	**20.0**	16.3	**3.2**	2.4

PPL's directors perform services for other Group companies and are captured as a subset within the PAC compensation in Figure 34. These costs are not included in the amounts charged to PPL. An assessment has been made of the proportion of each director's time that relates to PPL with an emolument in 2021 of £15k (2020: £15k) deemed appropriate. None of the PPL directors received shares under long-term incentive schemes and no director exercised share options in either 2021 or 2020.

B System of governance (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 35.

Figure 35: Key Function Holders

SMF	Description
SMF01	Chief Executive
SMF02	Chief Finance Officer
SMF03	Executive Director
SMF04	Chief Risk Officer
SMF05	Head of Internal Audit

SMF	Description
SMF07	Group Entity Senior Manager
SMF 16	Compliance Oversight
SMF 18	Other Overall Responsibility (includes Distribution and Investments)
SMF 20	Chief Actuary
SMF 24	Chief Operations

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

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

B.2.2 Fit and proper assessment

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

- during the recruitment phase and before any regulatory application is made an assessment of the person's fitness is conducted, including:
  - Professional and formal qualifications.
  - Knowledge and relevant experience.
  - Basic criminology disclosure ("DBS") check.
  - Credit check.
  - Regulatory references.

B System of governance (continued)

B.2 Fit and proper requirements (continued)

- the ongoing fitness and propriety of relevant individuals is assessed (at least annually), including:
  - Self-disclosure questionnaires.
  - Sample DBS/credit checks (ensuring full coverage on a rolling three year cycle).
  - An assessment of competency and capability to fulfil the role.
  - An assessment of compliance with the conduct rules.

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

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

B.3.1 Risk governance and the Risk Management Framework

Risk is defined as the uncertainty the Group faces in successfully implementing its strategies and objectives. This includes all internal and external events, acts or omissions that have the potential to threaten the success 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 has a comprehensive approach to identifying, measuring, managing, monitoring and reporting risks ('the risk management cycle'), supported by an embedded risk culture and strong risk governance. This is set out in the 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 Chief Risk and Compliance Officer ("CRCO") (and PAC Chief Risk Officer ("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.

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 and MGG CRO respectively. Matters are escalated to the Risk Committees by the ERCs' Chairs, the CRCO and PAC CRO, where appropriate to do so.

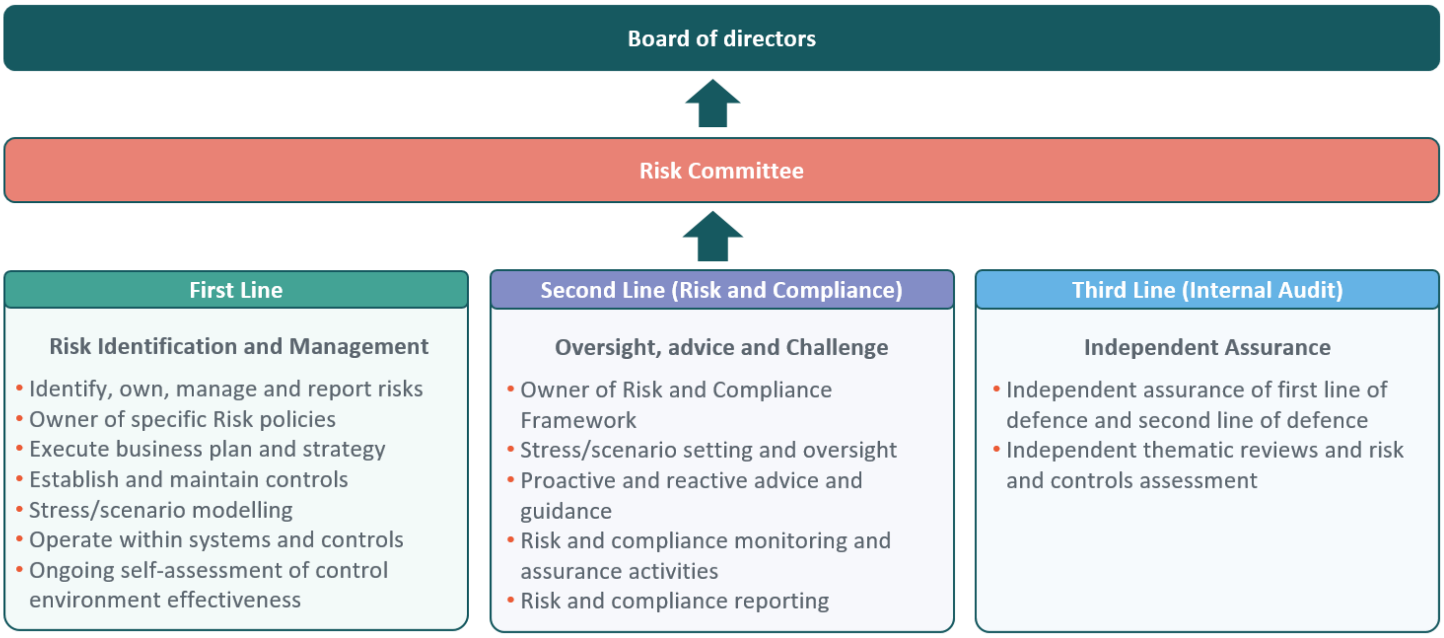
Three Lines of Defence

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.

B System of governance (continued)

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

Figure 36: Three Lines of Defence responsibilities



B.3.1.2 Risk appetite and limits

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. Risk appetite is the amount and type of risk the Group is willing to accept in pursuit of its business objectives.

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

RAS and accompanying risk thresholds are also in place for significant individual risks, including a comprehensive Group Approved Limits Framework ("GALF") and non-financial risk appetite statements and KRIs. These 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 Executive Risk Committees. Prescribed forward looking indicators are used to help inform whether a risk may move outside of a limit together with appropriate management actions.

B.3.1.3. 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.3.1.4. 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 and the Integrated Controls Framework 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 and aim to allow consistent meeting of requirements across the Group by establishing operational standards for key processes.

B System of governance (continued)

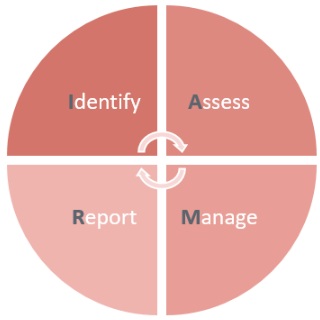
B.3 Risk management system including the Own Risk and Solvency Assessment (continued)

B.3.1.5 The Risk Management Cycle

As set out in Figure 37, the risk management cycle is the ongoing process of identifying, measuring, managing, monitoring and reporting the risks to which the business is exposed in the context that it operates.

Figure 37: Risk Management Cycle

Risk Identification: Regular bottom up risk identification processes are undertaken to identify risks to which M&G plc is currently exposed, or could be exposed to in the future (emerging risks). Structured processes apply, with the risks identified being categorised according to the risk taxonomy, before being assessed for materiality. These processes are set out in the Risk Identification Group-wide Operating Standard and Operational Risk: Risk and Control Self Assessment Standard.



Risk Assessment:

- Risk Measurement: Risks are measured using appropriate metrics as defined in the setting of risk limits, triggers and indicators. M&G plc has in place an Internal Model to identify, monitor and quantify risk for calculation of the Solvency II Solvency Capital Requirement (SCR). More detail on the Internal Model and associated governance is provided in the Internal Model Risk Policy and supporting standards.
- Risk Monitoring: Risk monitoring is an ongoing process to track the status of risks and is undertaken by both risk owners and through oversight and assurance activities undertaken by Risk, Compliance and Internal Audit.

Risk Reporting: To ensure timely and appropriate decision making, the M&G plc, PAC and MGG Board and Executive Risk Committees are provided with accurate and timely risk reports and MI. Risk reporting requirements for individual risk types are set out in the M&G plc risk policies.

Risk Management: Risks are evaluated, treated and managed against the defined risk limits, triggers and indicators in order to establish whether the business is operating within risk appetite. Where risk appetite is exceeded, or in some cases the limit is close to being exceeded, management are expected to take action to appropriately treat the risk through mitigation, transfer, avoidance and acceptance. Any actual breaches or breaches which are imminent must be reported to the appropriate CRO. If a breach has occurred it must be reported within 24 hours from the time is has been detected.

B.3.1.6 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 boards which, 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

Senior management promote a responsible culture of risk management by emphasising the importance of balancing risk with profitability and growth in decision making, while ensuring compliance with regulatory and legislative requirements and internal policies.

The 'I Am Managing Risk' programme reinforces a risk culture across the Group by requiring individuals to take personal responsibility and accountability for managing risk and to do the right thing for customers and clients, stakeholders and the business.

The Group works to build skills and capabilities in risk management, both within its senior management and across the wider organisation (across all 3LOD).

The Group considers risk management as important to all business decisions and actively promotes consideration of risk in those key decisions day-to-day.

B System of governance (continued)

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

B.3.2 The Risk function

Within the Three Lines of Defence model, the Risk function (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 GALF, 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 set 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"), production and reporting of the Internal Capital Adequacy Assessment Process ("ICAAP"), 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.
- **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.

During 2021 the Technical Actuarial Committee, which was responsible for the methodology and assumptions for valuing the Group's capital requirements, was disbanded and its responsibilities split between the Internal Model Governance Oversight Committee ("IMGOC") and Finance Capital and Liquidity Committee ("FCLC"). The IMGOC and the 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 Interim 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 other material changes to the internal model governance over 2021.

B System of governance (continued)

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

B.3.4 Own Risk and Solvency Assessment

The ORSA is the Group's ongoing processes for identifying, assessing, controlling, monitoring and reporting the risks to which the business is exposed, and of assessing the own funds necessary to ensure that the Group's solvency needs are met at all times. Risk appetite and limits are the key controls that apply on the current and future risk profile, as a result of the Group's strategy and business plan, and ensure that the Group complies with its solvency requirements on a continuous basis under a reasonable range of scenarios. This process is documented and evidenced through 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
The Boards	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.
Risk Committees	Approve the proposed ORSA stress and scenario testing, and review and recommend the ORSA report to the respective boards for approval.
ERC	Review the proposed ORSA stress and scenario testing and the ORSA report prior to submission to the risk committees.
CRCO and PAC CRO	Ownership of the respective ORSA reports.
Risk	Preparation of the ORSA report in collaboration with functional areas.
Finance	Preparation of quantitative inputs to the ORSA report.

B.4 Internal control system

B.4.1 Overview

The Group 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 System of governance (continued)

B.4 Internal control system (continued)

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 and implementing a framework to ensure that conflicts are adequately identified, managed and overseen by the business. 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 subsidiary Compliance Plan and required resources agreed by each subsidiary Audit Committee and noted by the M&G plc Audit Committee.

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

The policies support the implementation of the 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.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.

B System of governance (continued)

B.5 Internal Audit function (continued)

- 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 Article 48 of the Solvency II Directive. This sets out the tasks that the Actuarial function is responsible for.

The GHAF provides the 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, to identify any deficiencies and provide recommendations as to how such deficiencies should be remedied. The report also highlights 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.

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	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 in relation to the calculation of capital requirements. The Finance function proposes the valuation methodology and assumptions and calculates the SCR. The GHAF reviews the valuation methodology and assumptions and the resulting SCR and advises the 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.

B.7 Outsourcing

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

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

B System of governance (continued)

B.7 Outsourcing (continued)

Material intra-group outsourcing arrangements for the year ended 31 December 2021 primarily comprised fund/asset management provided by MGG 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 is also the principal company through which Group-wide contracts for the supply of goods and services are placed.

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

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

B.8 Any other information

B.8.1 Adequacy of the system of governance

During 2021 the Group completed a review of the RMF and Risk function to ensure that both are fit for purpose and positioned well for the future. This review 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 to embed a further step change in risk understanding, awareness and accountability. To address this, a plan of work has been developed and is being implemented across the Group.

In addition, the Audit Committee has considered the outcome of the annual risk management and internal control effectiveness review for 2021 which covered all material controls, including financial, operational and compliance controls and the continued impact of COVID-19. The review identified a number of actions to further enhance the risk management system and strengthen the overall control environment, with a particular focus on continuing to embed both operational resilience and third party policy requirements across the Group.

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

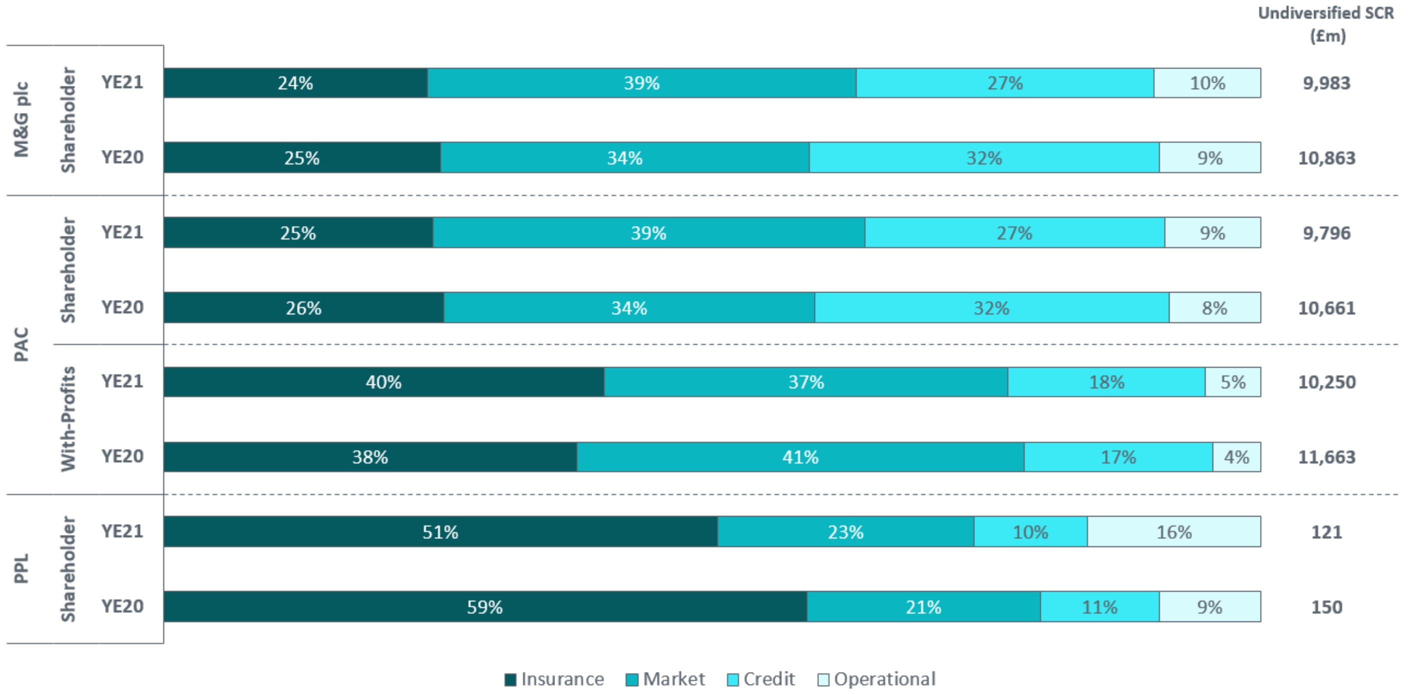
C Risk profile (Unaudited)

Under the Solvency II regime, companies are required to calculate capital requirements in line with Solvency II regulations. 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 85% 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 2021 and 31 December 2020 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 2021 and 31 December 2020



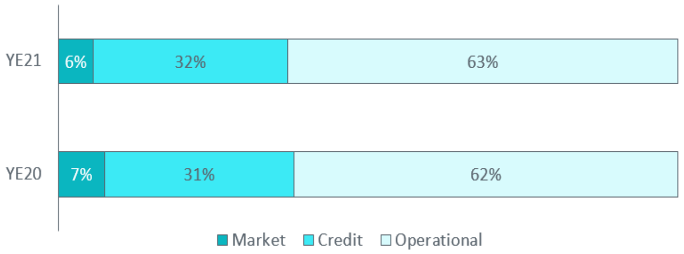
The total undiversified SCR for the PAC Shareholder business (and as a consequence M&G plc Shareholder business) has decreased over the year, primarily due to reductions in credit and underwriting risk capital, as a result of the increase in risk-free interest rates over the year and the sale of credit-risky 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, in part due to a rise in the value of equity holdings over the year thus increasing the sensitivity of M&G plc to changes in equity values.

For the PAC with-profits fund, the total undiversified SCR has decreased over the year, primarily due to a reduction in market risk capital as a result of asset strategy changes implemented during the year, the impact of the merger of SAIF with the WPSF and changes to interest rate hedging. In addition, there have been reductions in underwriting and credit risk capital, largely due to the increase in risk-free interest rates over the year. Asset strategy changes implemented over the year have also increased the credit quality of assets in the capital fund.

The percentage of SCR allocated to operational risk for PPL has increased over 2021 largely as a result of changes to the frequency or likelihood of the operational risk scenarios used to determine the required level of operational risk capital.

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. These risks are also commented on, where appropriate, within the consideration of the individual risk types. From January 2022, a new prudential regime (Investment Firms Prudential Regime ("IFPR")) will become effective in the UK for investment firms, which will change components of the Pillar I and Pillar II capital requirements calculation.

Figure 42: MGG Pillar 2 capital requirements as at 31 December 2021 and 31 December 2020



C Risk profile (continued)

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
Longevity	
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 has materially reduced its longevity risk exposure in recent years through a number of reinsurance transactions and a significant Part VII transfer to Rothesay Life (further detail can be found in section A.1.4.3).	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
Persistency	
Where there are increases in policyholder exits on business without material guarantees or assets under administration this reduces expected income from management charges.	PAC Shareholder, PAC With-Profits Fund, PPL and MGG
Shareholders are 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
The With-Profits Fund is exposed to reductions in policyholder exits which increase the expected costs of meeting guaranteed obligations to policyholders due to an increase in the number of policies remaining in-force with the potential for a guarantee to apply.	PAC With-Profits Fund
Expense	
For all business areas, there is a risk that expense experience (including expense inflation) is higher than assumed 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
Mortality and Morbidity	
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

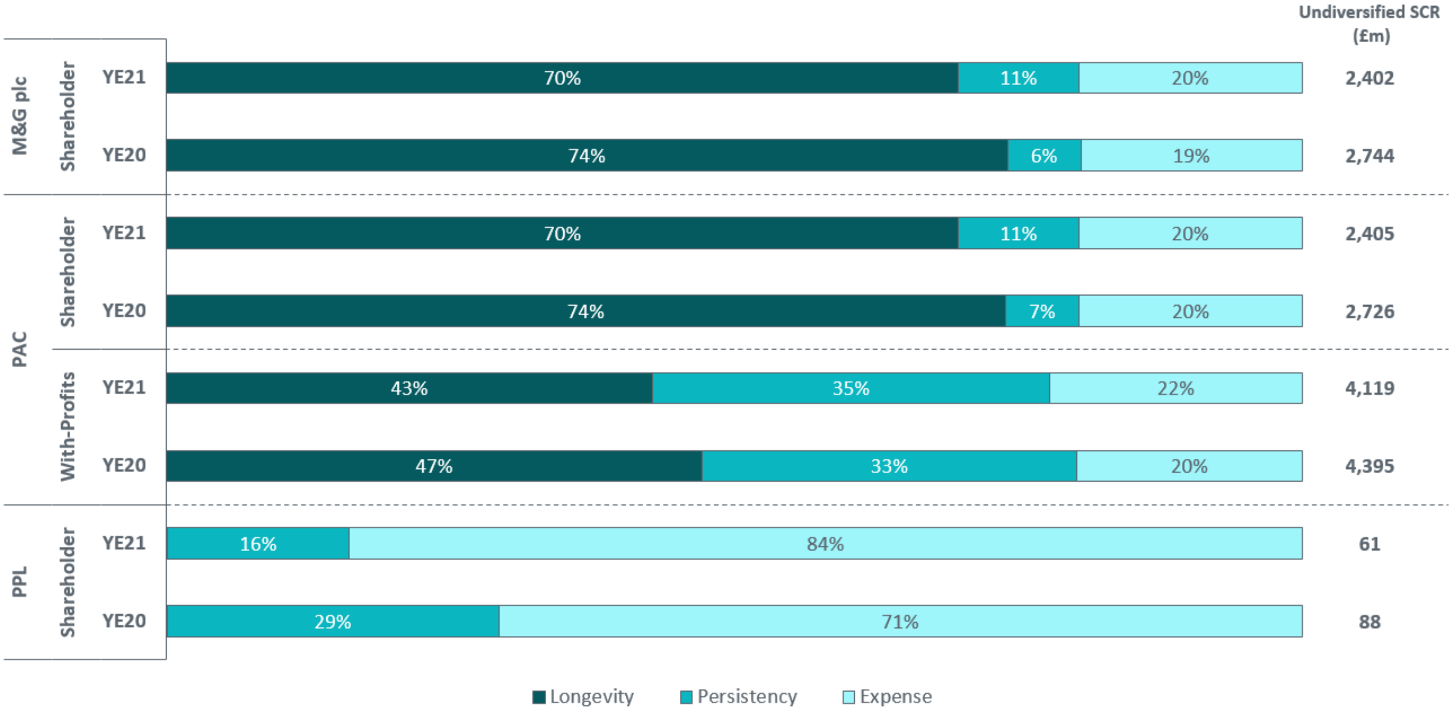
The undiversified SCR is used as a key assessment of the size of the underwriting risk the business is exposed to under severe (“1 in 200 year”) stresses, with regular stress and scenario tests also applied to the key financial exposures to understand the sensitivity of the overall Solvency II capital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

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.

C Risk profile (continued)

C.1 Underwriting risk (continued)

Figure 44: Undiversified underwriting risk SCR split as at 31 December 2021 and 31 December 2020



The changes in the M&G plc, PAC shareholder and with-profits profile is primarily related to the reduction in longevity risk capital due to the increase in the risk-free interest rates over the year. Persistency and expense risks for PPL are sensitive to market conditions, in particular the level of interest rates. The increase in interest rates over 2021 has given rise to a reduction in both persistency and expense risk exposure.

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. PAC has entered into a number of such transactions in recent years significantly reducing its exposure as a result.
- Selective Part VII transactions, in particular the transfer of non-profit annuity business to Rothesay Life PLC as detailed in Section A.1.4.3.

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 that of the With-Profits Fund estate, resulting, directly or indirectly, from fluctuations in the level or volatility of market prices of assets, currencies and 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.

C Risk profile (continued)

C.2 Market risk (continued)

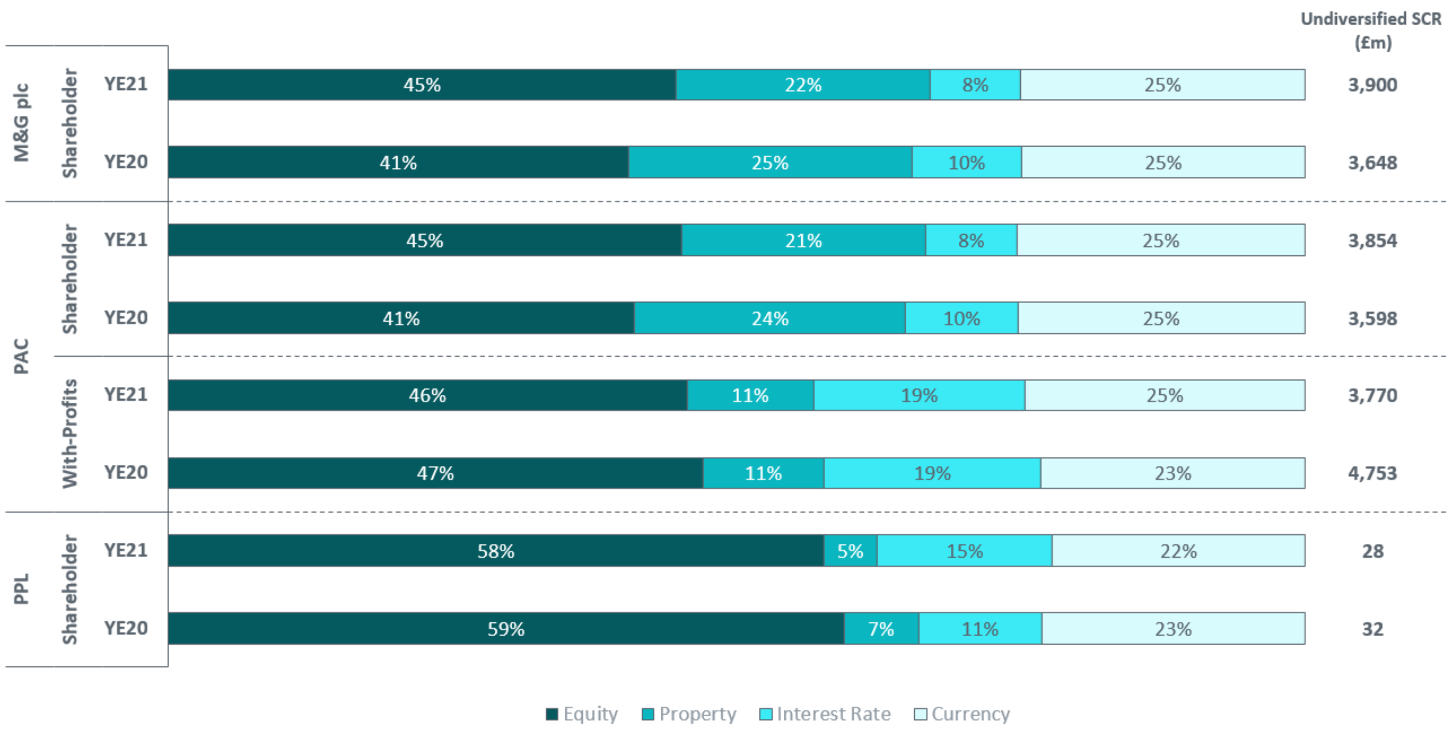
Figure 45: Market risk exposures across the Group

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
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.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 2021 and 31 December 2020



C Risk profile (continued)

C.2 Market risk (continued)

The undiversified market risk capital for M&G plc and PAC shareholder business has increased primarily due to a rise in the value of equity holdings (including collective investment schemes) over the year, which increases the sensitivity of the business to changes in equity values.

For the PAC with-profits fund all market risk components have reduced, primarily due to asset strategy changes implemented during the year to reduce the funds exposure to equities and increase the exposure to fixed interest assets, the impact of the merger of SAIF with the WPSF and changes in interest rate hedging. In addition, the rise in interest rates and the run-off of traditional with-profits business has also reduced the market risk sensitivity of the fund.

For PPL, the market risk SCR has reduced due to the run-off of existing business and changes in market conditions over the year.

C.2.4 Risk concentration

Risk concentrations within market risk (both at the asset class level and within asset classes) are managed carefully through various process, including risk limits that define the amount of risk of each type that the Group is willing to bear, such that the Group's 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 to risk appetite.
- Regular reviews of strategic asset allocations ("SAAs"), investment and hedging strategies.
- Use of derivatives to hedge equities, interest rates and currency risks where appropriate.
- Regular 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
Invested credit	
M&G plc is exposed to credit risk on surplus assets held at HoldCo level.	M&G plc
PAC Shareholders are 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

C Risk profile (continued)

C.3 Credit risk (continued)

Figure 47: Credit risk exposures across the Group (continued)

Risk Exposure	Entities Impacted
Counterparty Risk	
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 credit risk on the assets held in the pension funds.	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 with counterparties 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 (albeit MGG has the ability to sell the relevant units in the event of such a default). These settlement balances can be volatile and significant in value.	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 has materially reduced over the year, primarily due to the increase in risk-free interest rates experienced and the sale of credit-risky assets within the non-profit annuity funds which reduces the sensitivity of the book to credit spread risk. The undiversified credit risk capital for the PAC with-profits fund has also reduced, primarily due to a strategic asset allocation change which resulted in an increase in the credit quality of fixed interest assets. This was partially offset by the asset strategy changes which reduced the funds exposure to equities and increased the exposure to fixed interest assets.

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, groups of interconnected 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 various balance sheet asset classes. These asset classes are assigned a notional weighting derived to reflect the relative riskiness of each asset class.

The Group also has in place an Investment Concentration Oversight Process (“ICOP”) which seeks to manage invested credit risk concentrations through a defined set of triggers for single names by market value, ratings downgrades, IMA temporary exemptions, 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 2020 and 31 December 2021.

Figure 48: Largest counterparty exposures

Risk	2021	2020
PAC Shareholder-backed business	1) United Kingdom of Great Britain and Northern Ireland government 2) Rothesay Life PLC 3) HSBC PLC 4) European Investment Bank	1) Rothesay Life PLC 2) United Kingdom of Great Britain and Northern Ireland government 3) European Investment Bank 4) Jetty Finance
PAC With-Profits Fund	1) United Kingdom of Great Britain and Northern Ireland government 2) Royal Bank of Canada 3) Santander 4) JP Morgan Chase & Co	1) United Kingdom of Great Britain and Northern Ireland government 2) Citigroup Inc 3) Barclays PLC 4) JP Morgan Chase & Co

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 Risk profile (continued)

C.3 Credit risk (continued)

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 and limits 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 Concentration Oversight Process and Counterparty Rating and Limits Framework.
- Robust internal credit rating processes.
- Ad-hoc deep dive 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.
- Horizon scanning for any known or potential spikes in OEIC debtors and forward looking scenario analysis for worst-case scenarios.

C.4 Liquidity risk

C.4.1 Risk description

The Group is exposed to two types of liquidity risk:

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

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	
M&G plc relies on cash remittances from PAC and MGG to meet its financial obligations. However, it also maintains a liquidity buffer to meet any unexpected shortfalls in remittances from the subsidiaries or other one-off requirements. The Company's asset portfolio, which is managed by PruCap, is held in liquid assets, predominantly cash, gilts and high quality corporate bonds.	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 the 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
Fund liquidity risk	
Indirect exposure to fund liquidity risk arises in relation to management of third party funds on behalf of its customers and clients that could have adverse impacts on customer retention (with resulting impact on fee income) and reputation.	MGG

C.4.3 Risk measurement

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

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 HoldCo 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 Risk profile (continued)

C.4 Liquidity risk (continued)

C.4.5 Risk mitigation

Although M&G plc has not yet raised commercial paper as an independent listed company, this can be used to provide financial flexibility and sources of operational funding, if required. 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 which includes:

- Liquidity risk policies, which set out the approach to the management of both treasury and fund liquidity risk.
- A Liquidity Risk Management Plan which sets out potential actions to consider to support the liquidity position.
- Liquidity Contingency Plans, which set out the procedures to be followed if a material liquidity risk event arises or is expected to arise.
- Asset and liability management programmes, including monitoring of projected liability cash flows to achieve close asset-liability matching.
- Monthly monitoring of the key liquidity risk appetite metric (the LCR) against triggers and limits set out in the GALF. In addition, the Internal LCR (which only considers internal resources as available liquidity) is monitored against a trigger to demonstrate that there is no undue reliance on external facilities.
- A framework for effective monitoring and management of PAC Shareholder liquidity to support planned remittances to M&G plc. This provides greater visibility to future sources and uses of liquidity and insight into likely solvency and IFRS implications of any planned liquidity management action.
- Quarterly monitoring of liquidity sufficiency, under base and stress scenarios, against specific triggers and limits for PAC's with-profits, annuity and unit-linked funds for a range of time horizons;
- Additional monitoring and controls to satisfy Solvency II Matching Adjustment ("MA") requirements including an annual Reverse Stress Testing ("RST") exercise and the quarterly calculation of an Eligible Collateral Coverage Ratio ("ECCR"), which captures the risk that collateral requirements cannot be met due to MA constraints.
- Deferral clauses to manage liquidity risk in those unit-linked funds which may be inherently more illiquid, in particular property funds.
- 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.
- Daily monitoring of liquidity sufficiency for the Group.
- Annual MGG treasury liquidity stress test results with potential management actions set out in the MGG ICAAP, including details of a liquidity specific RST to assess MGG's treasury liquidity position.

In addition, to manage liquidity risk in those unit-linked funds which may be inherently more illiquid, in particular property funds, deferral clauses are in place which allow the deferral of cash payments to withdrawing customers in extreme adverse liquidity scenarios.

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.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 2021, Group EPIFP from QRT S.23 was £168m (2020: £118m). The breakdown of the EPIFP by entity is shown in Figure 50 below. The key reason for the increase in EPIFP over the period was due to a change in methodology: namely a change in the application of homogenous risk groups for this purpose. At 31 December 2020, PAC with-profits and non-profit unit-linked business were valued at £nil. This methodology change resulted in positive EPIFPs being reported for PAC with-profits (£41m) and PAC non-profit unit-linked (£0.1m) business as at 31 December 2021.

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

	For the year ended 31 December	
	2021	2020
	£m	£m
PAC	**82**	45
PIA	**127**	122
PPL	**—**	—
Intercompany eliminations [1]	**(41)**	(49)
Total Group	**168**	118

[1] As at 31 December 2021, the PIA EPIFP is reported gross of reinsurance, with the impact of internal reinsurance being eliminated upon consolidation to group EPIFP.

C Risk profile (continued)

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 or outsourced processes and controls, colleague errors, technology issues or from external events which impact operations.

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 in the processes and controls supporting the Group's activities, such as third-party suppliers or 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. Serious failings in the delivery and/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.

During the year, due to the scale and complexity of the transformation programme, some customers in the Retail and Savings business experienced unacceptable levels of service. The Group has made significant investment to resolve these problems.

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 Integrated Control Framework, which provides a framework to assess the inherent and residual risk exposure and effectiveness of operational controls across the Group.

To the extent that operational risks cannot be fully mitigated, the Group holds capital against operational risk within the Internal Model SCR calculation. On an annual basis, regulated entities across the Group assess 'Extreme but Plausible' operational risk scenarios to determine the required level of operational risk capital. These scenarios represent issues which, although very low likelihood, have the potential to create extreme losses through a single event or a significant increase in frequency of event. 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 Process Execution Errors, Technology Failures Regulatory Compliance 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 Integrated Control Framework and operational risk framework and system that delivers processes and tools to identify, assess, manage and report operational risk exposures.
- Additional policies, standards and procedures which cover specific operational risk exposures.
- 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.

C Risk profile (continued)

C.5 Operational risk (continued)

- Metrics to monitor and report on the delivery, costs and benefits of transformation programmes and regular deep dive assessments are conducted on transformation programmes, individually and collectively.
- Implementation of the operational resilience framework, including the Operational Resilience Policy

C.6 Other material risks

C.6.1 Business environment and market forces risk

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

In addition, increased geopolitical risks and conflicts and policy uncertainty can impact the Group's products, investments and operating model. The conflict in Ukraine has potential to impact the Group's risk profile including but not limited to; adverse and volatile economic and market conditions; impacts on investment performance and underlying assets; increased cyber risk; and regulatory risk from sanctions. The uncertainty around these impacts requires the Group to continually monitor and assess developments. The Group has responded to events by mobilising resources and standing up incident response protocols. This includes bringing together colleagues from across the business to provide an enhanced monitoring and decision-making capability. These protocols allow the Group to effectively manage risks for stakeholders and respond to potential adverse impacts in a timely manner.

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

C.6.2 Sustainability and ESG

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

Sustainability risks are identified, assessed and managed under the ESG Risk Management Framework and Policy, which was developed in 2021 and is currently being embedded across the Group. Consideration of ESG Risk is built into the decision-making processes and a requirement of key strategic board risk assessment papers. Climate change risk is being integrated into the Group's scenario analysis process with both top down and bottom up consideration over a range of time horizons leveraging the Bank of England's 2021 Climate Biennial Exploratory exercise.

C.6.3 Investment performance and risk

The investment objectives and risk profiles of funds and segregated mandates are agreed with customers and clients. A failure to deliver against these objectives (including sustained underperformance of funds), to maintain risk profiles that are consistent with customers and 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 the business strategy and culture.

The Group has an HR Framework that includes policies for Diversity and Inclusion, Employee Relations, Talent and Resourcing, Remuneration, and Performance and Learning with management 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, the findings of which drive actions to improve the experience of staff.

C.6.5 Regulatory compliance

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

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

C Risk profile (continued)

C.6 Other material risks (continued)

Compliance function is leading the implementation of a strengthened financial crime compliance framework across the Group. The Financial Crime programme continues to progress, and is entering a key phase in the implementation of the operating model and enhancing tools to comprehensively scan and monitor activity.

C.6.6 Reputational risk

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

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

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 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 Risk profile (continued)

C.7 Any other information (continued)

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 52 below as at 31 December 2021.

Figure 52: Impact of sensitivities

	Shareholder view						PAC With-Profits Fund view		Regulatory view[1]			
	M&G plc		PAC		PPL				M&G plc		PAC	
Solvency II sensitivities	Surplus £m	Solvency ratio %	Surplus £m	Solvency ratio %	Surplus £m	Solvency ratio %	Surplus £m	Solvency ratio %	Surplus £m	Solvency ratio %	Surplus £m	Solvency ratio %
2021												
As reported	**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 %**
2020												
As reported (regulatory approved TMTP)[2]	4,896	184 %	3,611	171 %	35	171 %	7,001	243 %	4,896	146 %	3,611	136 %
As reported (recalculated TMTP)[2]	4,783	182 %	3,499	168 %	34	168 %	6,968	242 %	4,783	144 %	3,499	135 %
20% fall in equity markets	4,268	175 %	2,989	160 %	27	156 %	6,490	229 %	4,268	140 %	2,989	130 %
20% instantaneous fall in property markets	4,356	175 %	3,095	161 %	33	165 %	6,844	239 %	4,356	141 %	3,095	131 %
50 basis points fall in interest rates	4,608	173 %	3,321	160 %	28	152 %	7,214	243 %	4,608	141 %	3,321	131 %
100 basis points increase in credit spreads	4,319	178 %	3,040	163 %	28	155 %	6,421	237 %	4,319	142 %	3,040	132 %
20% credit asset downgrades	4,442	175 %	3,157	161 %	33	165 %	6,788	238 %	4,442	141 %	3,157	131 %

[1]The regulatory view provides the combined position of the shareholder-backed business and With-Profits Fund for M&G plc and PAC.

[2]At 31 December 2020, all sensitivities were presented relative to the recalculated TMTP reported results, which differed from the regulatory TMTP reported results shown elsewhere in the 2020 SFCR. For that reason, both the regulatory approved TMTP and recalculated TMTP solvency positions are shown. At 31 December 2021, the regulatory approved TMTP and the recalculated TMTP were the same, having both been recalculated at 31 December 2021.

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.
- 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.

C Risk profile (continued)

C.7 Any other information (continued)

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 providing additional solvency protection. 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 the results showing that the exposure is to downwards interest rate movements at year-end 2021. This is a change from year-end 2020, when downwards interest rate movements led to an increase in surplus. The difference in sensitivity is primarily due to an update to the benchmark for and changes in the scope of fund-level interest rate hedging, as well as modelled management actions when calculating capital requirements, within the With-Profits Fund.

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.
- 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.

C Risk profile (continued)

C.7 Any other information (continued)

- 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 53 to 55 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 2021 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 2021 Statutory Accounts, in particular Note 1 (F) and Note 1 (G) which covers 'Financial assets and liabilities' and Note 27 '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 2021, the Solvency II balance sheet incorporates no changes to the recognition of assets and other non-insurance liabilities, compared to the 31 December 2020 Solvency II balance sheet.

D Valuation for solvency purposes (continued)

M&G plc

Figure 53: M&G plc - Reconciliation from IFRS consolidated statement of financial position to Solvency II balance sheet

		Differences					
IFRS line items	IFRS As at 31 December 2021 £m	Unit-linked and Consolidation (a) £m	Other Presentational (b) £m	Recognition and Valuation (c) £m	Solvency II As at 31 December 2021 £m	Solvency II As at 31 December 2020 £m	Solvency II line items
Assets							**Assets**
Goodwill and other intangibles	**1,615**	**(290)**	**—**	**(1,325)**	**—**	—	Intangible assets
Deferred acquisition costs	**94**	**—**	**—**	**(94)**	**—**	—	Deferred acquisition costs
Deferred tax assets	**119**	**(103)**	**73**	**—**	**89**	80	Deferred tax assets
Defined benefit pension asset	**38**	**—**	**—**	**—**	**38**	58	Pension benefit surplus
Investments, deposits, cash and cash equivalents[1]	**203,763**	**(76,875)**	**(13,836)**	**—**	**113,052**	131,925	Investments, deposits, cash and cash equivalents[1]
Investment in joint ventures and associates (equity accounted)	**469**	**42,120**	**(469)**	**(4)**	**42,116**	22,592	Holdings in related undertakings including participations[2]
Assets held for index-linked and unit-linked contracts	**—**	**19,142**	**(1,884)**	**206**	**17,464**	18,490	Assets held for index-linked and unit-linked contracts
Loans	**5,809**	**(2,243)**	**15,012**	**67**	**18,645**	18,831	Loans and mortgages
Reinsurance assets	**1,669**	**—**	**1,870**	**(491)**	**3,048**	14,088	Reinsurance recoverables
Other assets[3]	**5,558**	**(3,719)**	**(560)**	**33**	**1,312**	1,387	Other assets[3]
Own shares (held directly)[4]	**—**	**(1)**	**—**	**109**	**108**	135	Own shares (held directly)[4]
Total assets	**219,134**	**(21,969)**	**206**	**(1,499)**	**195,872**	207,586	**Total assets**
Liabilities							**Liabilities**
Insurance and investment contract liabilities	**160,850**	**(568)**	**(787)**	**1,194**	**160,689**	172,692	Technical provisions
Unallocated surplus of the With-Profits Fund	**16,723**	**—**	**—**	**(16,723)**	**—**	—	Other technical provisions
Provisions	**138**	**(91)**	**—**	**—**	**47**	116	Provisions other than technical provisions
Defined benefit pension liability	**84**	**(34)**	**—**	**—**	**50**	106	Pension benefit obligations
Deferred tax liabilities	**1,157**	**(96)**	**73**	**36**	**1,170**	882	Deferred tax liabilities
Derivative liabilities	**2,689**	**(355)**	**—**	**—**	**2,334**	3,093	Derivatives
Third party interest in consolidated funds	**12,636**	**(12,969)**	**855**	**(54)**	**468**	449	Financial liabilities other than debts owed to credit institutions
Other liabilities[5]	**19,512**	**(7,856)**	**65**	**(20)**	**11,701**	11,450	Other liabilities[5]
Total liabilities	**213,789**	**(21,969)**	**206**	**(15,567)**	**176,459**	188,788	**Total liabilities**
Total equity	**5,345**	**—**	**—**	**14,068**	**19,413**	18,798	**Total excess of assets over liabilities**

[1] Investments include Property (other than for own use), Equities, Collective Investment Undertakings, Bonds, Derivatives, Deposits other than cash equivalents, Cash and cash equivalents. The breakdown of these are detailed in Section D.1.2.5 Figure 56.

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

[3] Other assets include Property, plant and equipment held for own use, Insurance and intermediaries receivables, Reinsurance receivables and Receivables (trade, not insurance). The breakdown of these are detailed in Section D.1.2.9 Figure 57.

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

[5] Other liabilities includes debts owed to credit institutions, Deposits from reinsurers, Insurance and intermediaries payable, Payables (trade, not insurance), Reinsurance payables and Subordinated liabilities. The breakdown of these are detailed in Section D.3.1.6 Figure 71.

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. In the Solvency II balance sheet these are presented on single lines, whilst under IFRS the underlying assets and liabilities are shown in each line of the consolidated statement of financial position.

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

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

- £15,002m increase in loans and mortgages, in respect of reverse repos, which are instead presented as deposits under IFRS.
- £1,885m 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:

- £16,723m 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).
- £1,194m increase in technical provisions and £491m decrease in reinsurance recoverables from differences in the assumptions and methodology under IFRS and Solvency II. See Section D.2.1.4 for further details.
- £1,419m 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 54: PAC - Reconciliation from UK GAAP balance sheet to Solvency II balance sheet

UK GAAP line items	UK GAAP As at 31 December 2021 £m	Differences: Unit-linked and Scope (a) £m	Differences: Other Presentational (b) £m	Differences: Valuation and Recognition (c) £m	Solvency II As at 31 December 2021 £m	Solvency II As at 31 December 2020 £m	Solvency II line items
Assets							**Assets**
Deferred acquisition costs	**14**	—	—	**(14)**	—	—	Deferred acquisition costs
Defined benefit pension asset	**27**	—	—	—	**27**	40	Pension benefit surplus
Investments & deposits (other than participations) [1]	**151,372**	**(39,347)**	**(6,886)**	**(197)**	**104,942**	123,566	Investments (other than assets held for index-linked and unit-linked contracts and participations)
Participations	**6,124**	**39,347**	**(983)**	**192**	**44,680**	25,469	Holdings in related undertakings, including participations
Reinsurance recoverable	**7,224**	—	**(5)**	**(424)**	**6,795**	2,360	Reinsurance recoverables
Cash and cash equivalents	**2,520**	—	**(1,138)**	—	**1,382**	7,300	Cash and cash equivalents
Assets held for index-linked and unit-linked contracts	**13,670**	—	**(6,460)**	—	**7,210**	18,774	Assets held for index-linked and unit-linked contracts
Loans and mortgages	**3,536**	—	**14,993**	**67**	**18,596**	17,836	Loans and mortgages
Other assets [2]	**1,640**	—	**479**	—	**2,119**	2,283	Other assets
Total assets	**186,127**	—	—	**(376)**	**185,751**	197,628	**Total assets**
Liabilities							**Liabilities**
Unallocated surplus of the With-Profits Fund	**16,871**	—	—	**(16,871)**	—	—	Other technical provisions
Technical provisions	**152,976**	—	—	**(152,976)**	—	—	Technical provisions
Best estimate liability	—	—	**129**	**153,193**	**153,322**	164,103	Best estimate liability
Risk margin	—	—	—	**1,060**	**1,060**	1,358	Risk margin
Provisions other than technical provisions	**27**	—	—	—	**27**	79	Provisions other than technical provisions
Defined benefit pension liability	**50**	—	—	—	**50**	106	Pension benefit obligations
Deferred tax liabilities	**960**	—	**(1)**	**11**	**970**	661	Deferred tax liabilities
Debts owed to credit institutions	**2,157**	—	**620**	—	**2,777**	3,333	Debts owed to credit institutions
Financial liabilities other than debts owed to credit institutions	**97**	—	—	**(56)**	**41**	27	Financial liabilities other than debts owed to credit institutions
Derivative liabilities	**2,333**	—	**1**	—	**2,334**	3,093	Derivatives
Other liabilities [3]	**5,978**	—	**(749)**	**3**	**5,232**	4,252	Other liabilities
Total liabilities	**181,449**	—	—	**(15,636)**	**165,813**	177,014	**Total liabilities**
Total equity	**4,678**	—	—	**15,260**	**19,938**	20,614	**Excess of assets over liabilities**

[1] The breakdown of these Investments are detailed further in Section D.1.2.5. Figure 56.

[2] 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 57.

[3] 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 72.

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 £39,347m 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:

- £14,993m reduction in loans and mortgages mostly relates to the movement of reverse repos which are instead presented as deposits for UK GAAP.
- £1,138m reduction in cash and cash equivalents in respect of certain amounts that are presented as deposits, debt or collective investments under Solvency II.
- £(6,460)m 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:

- £16,871m 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).
- £1,277m increase in technical provisions and £424m increase in reinsurance recoverables from differences in the assumptions and methodology under UK GAAP and Solvency II. See Section D.2.1.4 for further details.
- £90m 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 55: PPL - Reconciliation from UK GAAP balance sheet to Solvency II balance sheet

UK GAAP line items	UK GAAP As at 31 December 2021 £m	Differences: Unit Linked and Scope (a) £m	Differences: Other Presentational (b) £m	Differences: Valuation and Recognition (c) £m	Solvency II As at 31 December 2021 £m	Solvency II As at 31 December 2020 £m	Solvency II line items
Assets							**Assets**
Investments (other than participations)	**97**	—	—	—	**97**	108	Government Bonds and Other Loans and Mortgages
Assets held in index-linked and unit-linked funds	**9,872**	—	—	**(1,784)**	**8,088**	9,224	Assets held for index-linked and unit-linked contracts
Reinsurance recoverable	**44**	—	—	**1,783**	**1,827**	2,004	Reinsurance recoverables
Cash and cash equivalents	**12**	—	—	—	**12**	7	Cash and cash equivalents
Other assets	**51**	—	—	—	**51**	15	Other assets
Total assets	**10,077**	—	—	**(1)**	**10,076**	11,358	**Total assets**
Liabilities							**Liabilities**
Technical provisions	**9,916**	—	—	**(3)**	**9,913**	11,218	Best estimate liability and risk margin
Deferred taxation	—	—	—	—	**1**	3	Deferred tax liabilities
Other liabilities	**84**	—	—	—	**84**	53	Other liabilities
Total liabilities	**10,001**	—	—	**(2)**	**9,999**	11,273	**Total liabilities**
Total equity	**76**	—	—	**2**	**77**	85	**Total excess of assets over liabilities**

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.
- There is also a £(0.4)m value difference in the amount reclassified due to minor differences in the longevity and expense assumptions and valuation interest rate used between the financial statements and Solvency II. Further information on these differences can be found in Section D.2.1.3.
- The difference in value of reinsurance recoverable between Solvency II and the financial statements stems from the reclassification of reinsurer's share of investment contracts liabilities. For the purposes of the financial statements, PPL applies deposit accounting for investment contracts and accordingly presents reinsurer's share of its liabilities within 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:

- £3m 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 2021. 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 2021, the following amount of financial assets (net of any derivative liabilities) were valued using this approach:

- M&G plc: £105,417m (2020: £108,513m)
- PAC: £94,292m (2020: £99,405m)
- PPL: £7,875m (2020: £7,700m)

(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 2021, the following amount of financial assets (net of any derivative liabilities) were valued using this approach, primarily foreign exchange forwards:

- M&G plc: £398m (2020: £1,118m)
- PAC: £(23)m (2020: £767m)
- PPL: £1m (2020: £3m)

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 2021, the following amount of financial assets (net of any derivative liabilities) were valued using this approach:

- M&G plc: £42,838m (2020: £42,336m)
- PAC: £38,763m (2020: £35,622m)
- PPL: £450m (2020: £1,600m)

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

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. It is evident from recent transactions that the most recently constructed and greener buildings are achieving the highest rents and lowest yields.

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

As at 31 December 2021, M&G plc held £38,732m (2020: £35,617m), PAC held £35,964m (2020: £33,285m) and PPL held £423m (2020: £446m) of assets, net of liabilities, which were internally valued using the valuations methods described above.

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

- Investment properties of £11,853m (2020: £11,550m) for M&G plc and £8,096m (2020: £8,077m) for PAC as at 31 December 2021, that are valued by professionally qualified external valuers using the RICS valuation standards.
- Debt securities of £11,509m as at 31 December 2021 (2020: £11,682m) for M&G plc, £11,442m (2020: £11,677m) for PAC and £14m (2020: £5m) 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 £11,793m (2020: £8,730m) for M&G plc, £12,973m (2020: £9,951m) for PAC, and £409m (2020: £441m) 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 £3,192m as at 31 December 2021 (2020: £3,275m) for M&G plc, and £3,184m (2020: £3,265m) for PAC. Of this amount £1,650m (2020: £1,708m), and a corresponding liability of £403m (2020: £409m) for both M&G plc and PAC relate to equity release mortgages which were valued internally using discounted cash flow models. The inputs that are most significant to the valuation of these loans are the internally derived discount rate, the current property value, the assumed future property growth and the assumed future annual property rental yields.
- M&G plc and PAC have a £331m (2020: £379m) 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 does not materially impact Solvency II surplus. Considerations 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 2021 Annual Report and Accounts, with details of the UK GAAP valuation approaches outlined in PAC and PPL's 2021 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 53 to 55, 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

Deferred tax assets are held on M&G plc's IFRS consolidated statement of financial position only.

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 £38m (2020: £58m) for both Solvency II and IFRS.

PAC's pension benefit surplus is £27m (2020: £40m) 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 56: Investments on the Solvency II balance sheet

	As at 31 December					
	M&G plc		PAC		PPL[2]	
	2021[1]	2020[1]	**2021[1]**	2020[1]	**2021[1]**	2020[1]
	£m	£m	**£m**	£m	**£m**	£m
Property (other than for own use)	**11,519**	11,162	**8,099**	8,081	**—**	—
Equities	**21,302**	34,005	**21,302**	34,005	**—**	—
Collective Investments Undertakings	**13,021**	12,622	**10,670**	10,437	**—**	—
Bonds	**61,186**	64,204	**61,040**	64,141	**24**	26
Derivatives	**3,179**	5,557	**3,179**	5,557	**—**	—
Deposits other than cash equivalents	**730**	1,444	**652**	—	**74**	82
Cash and cash equivalents	**2,115**	2,931	**1,382**	1,346	**12**	7
Total	**113,052**	131,925	**106,324**	123,567	**109**	115

[1] As per Figures 53 to 55, there are no valuation differences between Solvency II and statutory basis for 'investments, deposits, cash and cash equivalents'.

[2] PPL figures exclude reinsurance recoverable 2021 : £1,827m (2020 : £2,004m).

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:

(a) 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.

(b) 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 2021 shown in the Solvency II balance sheet was £42,116m (2020: £22,592m) which is £4m lower (2020: £120m 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 £148m lower (2020: £168m) 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 2021 shown in the Solvency II balance sheet was £44,680m (2020: £25,469m) which is £38,556m higher (2020: 19,972m higher) than the equivalent contribution of these undertakings to UK GAAP shareholders' equity. The majority of this difference arises from the collective investment in which PAC's holdings exceed 20% which are classified as participations where the amount recorded under Solvency II is £39,347m higher than its contribution to UK GAAP shareholders' equity. £983m 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

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 53 above) give rise to £206m (2020: £202m) valuation differences.

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.

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:

Figure 57: Other assets on the Solvency II balance sheet

	As at 31 December 2021						As at 31 December 2020					
	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	**334**	**277**	**9**	**—**	**—**	**—**	389	305	8	—	—	—
Insurance and intermediaries receivables	**27**	**27**	**24**	**24**	**—**	**—**	21	21	18	18	—	—
Reinsurance receivables	**26**	**26**	**62**	**59**	**—**	**—**	25	25	18	15	—	—
Receivables (trade, not insurance)	**925**	**949**	**2,024**	**1,557**	**51**	**51**	952	1,034	2,239	1,759	15	16
Other	**—**	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—	—
Total of 'Other assets'	**1,312**	**1,279**	**2,119**	**1,640**	**51**	**51**	1,387	1,385	2,283	1,792	15	16

D Valuation for solvency purposes (continued)

D.1 Valuation of assets (continued)

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 £224m as at 31 December 2021 (2020: £268m) 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 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 Valuation for solvency purposes (continued)

D.2 Technical provisions (continued)

D.2.1.3 Technical provisions by line of business

M&G plc

Figure 58: M&G plc - Value of technical provisions

	As at 31 December						
	2021					2020	
	Solvency II BEL	Solvency II Risk margin	Solvency II TMTP	Solvency II Total [1]	IFRS Total [2]	Solvency II Total	IFRS Total [2]
Solvency II Line of business	£m	£m	£m	£m	£m	£m	£m
Insurance with-profit participation	113,353	1,036	(652)	113,737	128,610	110,666	125,148
Index-linked and unit-linked insurance	19,267	113	(68)	19,312	19,854	20,566	20,878
Other	26,793	2,438	(1,719)	27,512	28,060	41,328	40,431
Non-life business	128	—	—	128	131	132	135
Total	159,541	3,587	(2,439)	160,689	176,655	172,692	186,592

[1] Solvency II technical provisions are as reported in template S.02.01.02.
[2] IFRS liabilities as reported in the consolidated financial statements, include a further £919m (2020: £848m) 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 £3,587m (2020: £4,219m) is held under Solvency II, but the amount is partially offset by the TMTP which smooths the impact from the previous Solvency I regime.

The TMTP is run-off in a straight line over 16 years to 2032, and is recalculated at least every two years, or if there has been a significant change in the risk profile of the business since the previous calculation. The TMTP is based on the last approved regulatory recalculation, the most recent of which was performed as at 31 December 2021 and reduces the Group's technical provisions by £2,439m (2020: £2,785m) (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 £16,723m (2020: £15,621m) 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 profits on non-profit business of £857m (2020: £806m) and for the tax payable on shareholder transfers of £752m (2020: £380m), with no equivalent adjustments under IFRS.

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

- The value of the excess of future charges over expenses on unit-linked investment contracts are recognised under Solvency II but not under IFRS resulting in £415m (2020: £392m) lower liabilities under Solvency II;
- Non-economic assumptions on non-profit business generally contain margins for risk and uncertainty under IFRS (or additional reserves are held) compared to the best estimate assumptions applied under Solvency II, resulting in £2,386m (2020: £3,338m) lower liabilities under Solvency II; and
- Economic assumptions, including the discount rate, differ between Solvency II and IFRS, resulting in a £677m (2020: £2,488m) increase in liabilities under Solvency II.

D Valuation for solvency purposes (continued)

D.2 Technical provisions (continued)

PAC

Figure 59: PAC - Value of technical provisions

	As at 31 December						
	2021					2020	
	Solvency II BEL	Solvency II Risk margin	Solvency II TMTP	Solvency II Total	UK GAAP Total	Solvency II Total	UK GAAP Total
Solvency II Line of business	£m	£m	£m	£m	£m	£m	£m
Insurance with-profit participation	106,414	981	(652)	106,743	127,971	103,894	118,783
Index-linked and unit-linked insurance	12,833	74	(59)	12,848	19,568	13,172	21,470
Other life insurance	26,164	2,382	(1,681)	26,865	20,551	40,573	31,589
Accepted reinsurance - insurance with-profit participation	7,100	3	—	7,103	1,723	6,887	7,454
Accepted reinsurance - other life insurance	683	49	(38)	694	44	807	51
Health insurance	—	—	—	—	(13)	(4)	(16)
Non-life business [1]	128	—	—	128	131	132	135
Total	153,322	3,490	(2,430)	154,382	169,975	165,461	179,465

[1]For consistency with the presentation of the Solvency II BEL, we have included the £131m (2020: £135m) non-life liability in the UK GAAP column. In the balance sheet in Figure 54 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 £3,490m (2020: £4,133m) 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 PAC's technical provisions by £2,430m (2020: £2,774m). 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 £16,871m (2020: £15,672m) 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 profits on non-profit business of £857m (2020: £806m) and for the tax payable on shareholder transfers of £752m (2020: £380m), with no equivalent adjustments under IFRS.

(c) UK GAAP includes index-linked policies such as annuities £4,785m (2020: £6,312m) in the 'index-linked and unit-linked insurance' category, whilst under Solvency II, index-linked only captures those amounts where the policyholder bears the entire risk exposure and index-linked annuities are instead included in the "Other life insurance" line.

(d) The method of calculation and the assumptions used to value non-profit liabilities (primarily shown in the 'Other life insurance' row in Figure 59), differ between Solvency II and UK GAAP. The main differences are:

- 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 £2,386m (2020: £3,338m) lower liabilities under Solvency II.
- Economic assumptions, including the discount rate, differ between Solvency II and UK GAAP, resulting in a £677m (2020: £2,488m) increase in liabilities under Solvency II.

(e) The UK GAAP insurance contract liabilities include £841m (2020: £782m) 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 60: PPL - Value of technical provisions

	As at 31 December						
	2021					2020	
	Solvency II BEL	Solvency II Risk margin	Solvency II TMTP	Solvency II Total	UK GAAP Total	Solvency II Total	UK GAAP Total
Solvency II Line of business	£m	£m	£m	£m	£m	£m	£m
Other life insurance	**44**	**—**	**—**	**44**	**44**	51	51
Unit-linked insurance	**4,375**	**14**	**(4)**	**4,384**	**4,394**	5,486	5,504
Accepted life reinsurance	**5,478**	**11**	**(4)**	**5,485**	**5,478**	5,680	5,673
Total	**9,897**	**25**	**(8)**	**9,913**	**9,916**	11,218	11,229

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 £25m (2020: £29m) 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 £8m (2020: £11m). See Section D.2.4.4 for further details.

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

- 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.
- Economic assumptions, including the discount rate, differ between Solvency II and UK GAAP, resulting in a £1m (2020: £1m) increase in liabilities under Solvency II.

(c) Amounts not recognised under Solvency II are the present value of future profits and contract boundaries, which have a £(29)m and £10m impact respectively.

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 61: Value of reinsurance recoverables

	As at 31 December					
	M&G plc		PAC		PPL	
	2021	2020	2021	2020	2021	2020
Reinsurance recoverables[1]	£m	£m	£m	£m	£m	£m
Index-linked and unit-linked insurance	**1,937**	2,132	**5,683**	5,877	**1,784**	1,953
Other[2]	**1,112**	11,956	**1,112**	11,958	**44**	51
Total Solvency II	**3,049**	14,088	**6,795**	17,836	**1,827**	2,004
Total statutory accounts	**1,669**	11,761	**7,224**	17,510	**44**	51
Difference	**(1,380)**	(2,327)	**429**	(326)	**(1,783)**	(1,953)

[1] The lines of business include direct business and accepted reinsurance.
[2] 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 £1,884m (2020: £2,057m) to the difference in Figure 61 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 £424m (2020: £326m) to the difference for PAC and £1,783m (2020: £1,953m) to the difference for PPL.

D Valuation for solvency purposes (continued)

D.2 Technical provisions (continued)

The most significant Solvency II reinsurance recoverable of £1,728m (2020: £12,230m) for the Group relates to PPL's reinsurance arrangement with BlackRock reported within 'index-linked and unit-linked insurance' in the table above. The reduction in the period is mostly in relation to the Part VII transfer of the annuity portfolio to Rothesay Life PLC. Further details are included in section A.1.4.3.

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 62: 10 year risk-free rates

	As at 31 December	
Currency	**2021**	2020
British pound	**0.95 %**	0.29 %
Euro	**0.21 %**	(0.37)%
United States Dollar	**1.50 %**	0.77 %

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 gross matching adjustment for the shareholder non-profit annuities as at 31 December 2021 was 113 basis points ("bps") per annum (2020: 117bps). The equivalent gross matching adjustment for the non-profit annuities in the With-Profits Fund as at 31 December 2021 was 94 bps per annum (2020: 83bps).

D.2.2.2 Non-economic assumptions

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

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

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

D.2.3.1 Participating business

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

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

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

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

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

- For conventional with-profits contracts, including endowment assurance contracts and whole of-life assurance contracts, payouts are guaranteed at the sum assured together with any declared regular bonus.
- Conventional with-profits deferred annuity contracts have a basic annuity per annum to which bonuses are added. At maturity, the cash claim value will reflect the current cost of providing the deferred annuity. Regular bonuses when added to with-profits contracts usually increase the guaranteed amount.
- For unitised with-profits contracts and cash accumulation contracts the guaranteed payout is the initial investment (adjusted for any withdrawals, where appropriate), less charges, plus any regular bonuses declared. If benefits are taken at a date other than when the guarantee applies, a market value reduction may be applied to reflect the difference between the accumulated value of the units and the market value of the underlying assets.

D Valuation for solvency purposes (continued)

D.2 Technical provisions (continued)

- For certain unitised with-profits contracts and cash accumulation contracts, policyholders have the option to defer their retirement date when they reach maturity, and the terminal bonus granted at that point is guaranteed.
- For with-profits annuity contracts, there is a guaranteed minimum annuity payment below which benefit payments cannot fall over the lifetime of the policies.
- Certain pensions products have guaranteed annuity options at retirement, where the policyholder has the option to take the benefit in the form of an annuity at a guaranteed conversion rate.

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

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

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

Whilst PAC believed it met the requirements of the 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 2021, the pension mis-selling reserve included within the BEL for M&G plc and PAC was £296m (2020: £303m).

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 population mortality data, with specific risk factors applied on a per policy basis to reflect the features of the Group's portfolio.

The mortality improvements observed in recent population data have been considered as part of the judgement exercised in setting the mortality basis for the valuation at 31 December 2021. New mortality projection models are released annually by the CMI. The CMI tables used are adjusted as appropriate each year to reflect anticipated mortality improvements. The mortality improvements basis has been reviewed to consider the drivers of change in mortality improvements, including how the COVID-19 pandemic might impact mortality improvements in future and has drawn upon various research papers and industry views. Due to continuing uncertainty, in particular the longer term impacts of the pandemic, it is expected that improvements will remain an area of focus over the coming years. Additionally, the next version of the CMI model (i.e. from 2018 to 2019) has been adopted, which is in line with previous years and brings in one year of extra experience data.

The longevity model has been updated to reflect emerging experience and enhancements to the experience data. Mortality experience has been significantly heavier over 2020 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 experience (in line with industry approach). Given the effects of the pandemic have continued into 2021 and beyond this is an area the Group will continue to monitor (noting that 2021 experience is not yet included in the analysis of mortality experience due to timing).

Expenses

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

Guaranteed minimum pension equalisation

From April 1987, pension schemes were able to 'contract out' of the State Earnings Related Pension Scheme, enabling companies and members to pay lower National Insurance Contributions, but their schemes had to provide a minimum level of benefit, the Guaranteed Minimum Pension ("GMP"). Recent court cases have confirmed that there is a requirement for GMPs to be equalised between male and female members/policyholders. The Group has included £60m on the PAC shareholder business and £38m on for PAC with-profits business within the long-term business provision for the expected costs of equalisation, however there is uncertainty as to the extent to which the judgements apply to schemes other than active defined benefit schemes and therefore the extent to which PAC may be responsible for achieving this across its product lines.

D Valuation for solvency purposes (continued)

D.2 Technical provisions (continued)

Pensions age equalisation

As a consequence of the Barber judgment, from 17 May 1990 pension ages had to be equal between men and women within occupational pension schemes. In respect of schemes that failed to equalise the pension ages before winding the scheme up with PAC, PAC has accepted responsibility for equalising the benefits provided. In addition, PAC may also be liable for the cost of equalising benefits in respect of active defined benefit schemes that were administered by PAC at the time when they addressed this issue. The Pension Age Equalisation provision is unchanged at £11m for PAC shareholder business and £3m for PAC with-profits business at 31 December 2021.

Deflation reserve

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

D.2.3.3 Unit-linked business

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

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

D.2.3.4 Other business

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

D.2.4 Long-term guarantee measures on technical provisions

D.2.4.1 Transitional measures

The Group's technical provisions as at 31 December 2021 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, PAC and PPL by £2,439m (2020: £2,785m), £1,373m (2020: £1,483m) and £8m (2020: £11m) respectively. This amount reflects the beneficial impact of the TMTP on the Group's eligible own funds and SCR, reduced by the amounts attributable to the With-Profits Fund.

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

The TMTP was recalculated as at 31 December 2021. This recalculation was a regular biennial event requiring PRA approval.

The technical provisions as at 31 December 2021 and 31 December 2020 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 2021 or 31 December 2020.

D.2.4.3 Matching adjustment

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

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

D 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 2021 are shown in the tables below:

M&G plc

Figure 63: M&G plc - Impact on Solvency II results of excluding TMTP and the MA

	As at 31 December							
	2021				2020			
	As reported in QRTs	Impact of removing TMTP	Impact of removing MA	Total excluding TMTP and MA	As reported in QRTs	Impact of removing TMTP	Impact of removing MA	Total excluding TMTP and MA
	£m	£m	£m	£m	£m	£m	£m	£m
Technical Provisions	**160,689**	**2,439**	**2,429**	**165,557**	172,693	2,785	2,849	178,326
Basic Own Funds	**14,122**	**(1,047)**	**(907)**	**12,168**	14,684	(1,244)	(1,571)	11,870
Own Funds eligible to cover Group SCR	**15,257**	**(1,047)**	**(907)**	**13,303**	15,631	(1,244)	(1,571)	12,817
SCR	**9,085**	**338**	**3,707**	**13,130**	10,735	239	3,335	14,310
Solvency ratio (regulatory view)	**168%**	**(42)%**	**(24)%**	**102%**	146%	(9)%	(47)%	90%
Own Funds eligible to cover Group MCR	**10,734**	**(1,031)**	**(722)**	**8,981**	11,148	(1,232)	(1,404)	8,512
MCR	**2,148**	**84**	**927**	**3,159**	2,568	60	834	3,462

PAC

Figure 64: PAC - Impact on Solvency II results of excluding TMTP and the MA

	As at 31 December							
	2021				2020			
	As reported in QRTs	Impact of removing TMTP	Impact of removing MA	Total excluding TMTP and MA	As reported in QRTs	Impact of removing TMTP	Impact of removing MA	Total excluding TMTP and MA
	£m	£m	£m	£m	£m	£m	£m	£m
Technical Provisions	**154,382**	**2,430**	**2,429**	**159,242**	165,461	2,774	2,849	171,085
Basic Own Funds	**12,161**	**(1,047)**	**(907)**	**10,206**	13,613	(1,244)	(1,571)	10,798
Own Funds eligible to cover SCR	**12,161**	**(1,047)**	**(907)**	**10,206**	13,613	(1,244)	(1,571)	10,798
SCR	**8,296**	**338**	**3,707**	**12,341**	10,002	239	3,335	13,577
Solvency Ratio	**147%**	**(39)%**	**(24)%**	**83%**	136%	(9)%	(47)%	80%
Own Funds eligible to cover MCR	**12,161**	**(1,047)**	**(907)**	**10,206**	13,613	(1,244)	(1,571)	10,798
MCR	**2,074**	**84**	**927**	**3,085**	2,500	60	834	3,394

PPL

Figure 65: PPL - Impact on Solvency II results of excluding TMTP and the MA

	As at 31 December							
	2021				2020			
	As reported in QRTs	Impact of removing TMTP	Impact of removing MA[1]	Total excluding TMTP and MA	As reported in QRTs	Impact of removing TMTP	Impact of removing MA[1]	Total excluding TMTP and MA
	£m	£m	£m	£m	£m	£m	£m	£m
Technical Provisions	**9,913**	**8**	**—**	**9,922**	11,218	11	—	11,228
Basic Own Funds	**77**	**(6)**	**—**	**71**	85	(9)	—	76
Own Funds eligible to cover SCR	**77**	**(6)**	**—**	**71**	85	(9)	—	76
SCR	**45**	**2**	**—**	**46**	50	2	—	52
Solvency Ratio	**173%**	**(20)%**	**—**	**153%**	171%	(23)%	—	147%
Own Funds eligible to cover MCR	**77**	**(6)**	**—**	**71**	85	(9)	—	76
MCR	**20**	**1**	**—**	**21**	22	1	—	23

[1] PPL has not applied the matching adjustment as at 31 December 2021 and 31 December 2020.

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 2021 are set out below:

- Changes to the matching adjustment allowance to reflect the asset mix and market conditions as at 31 December 2021;
- Changes to best estimate annuitant longevity assumptions to reflect recent experience (noting zero weight was given to 2020 experience due to COVID-19) 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;
- Changes to persistency assumptions to reflect the results of the most recent experience investigation;
- Changes to the assumed take-up of options offered under with-profits contracts to reflect recent experience; and
- Market-driven changes to economic parameters, including changes to risk-free rates as shown in Section D.2.2.1.

D.2.6 Level of uncertainty

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

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

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

Each assumption is set at the Group's best estimate of future experience and approved by the PAC Board Audit Committee 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 53 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 staff benefits and restructuring. These are described below and the same value is used on a statutory and Solvency II basis.

Staff benefits

Staff benefits applies to M&G plc only and primarily relates to performance related bonuses expected to be paid to staff over the next three years.

Restructuring and demerger

Included in M&G plc's provisions is £36m as at 31 December 2021 (2020: £57m) related to change in control costs arising from the Demerger in 2019, which were expected to be incurred within four years of the separation from Prudential plc. An additional £1m (2020: £9m) of restructuring provisions are held in relation to redundancy costs.

Provisions in relation to annuity sales practices

PAC had agreed with the Financial Conduct Authority (FCA) to review annuities sold without advice after 1 July 2008 to its contract-based defined contribution pension customers, and this review is now complete. In addition, PAC had been conducting a review of other similar but separate groups of annuities sold after 1 July 2008 which were outside the scope of the original review. The review was examining whether customers were given sufficient information about their potential eligibility to purchase an enhanced annuity, either from PAC or another pension provider. Significant progress has been made on this redress exercise since 31 December 2020, and there are now only a small number of potential remaining cases from the total population. At 31 December 2020 a provision of £49m was held, of which £14m has been utilised during the year. Given the minimal number of remaining cases, the residual provision of £35m has been released in the year.

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 2021 is the Prudential Staff Pension Scheme ("PSPS"), which accounts for 80% (2020: 81%) 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.

D Valuation for solvency purposes (continued)

D.3 Valuation of other liabilities (continued)

As at 31 December 2021, 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.

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 66: Valuations of pension schemes

	As at 31 December							
	M&G plc				PAC			
	2021		2020		2021		2020	
	Solvency II	IFRS	Solvency II	IFRS	Solvency II	UK GAAP	Solvency II	UK GAAP
	£m	£m	£m	£m	£m	£m	£m	£m
PSPS	**38**	**38**	58	58	**27**	**27**	40	40
SASPS	**(50)**	**(50)**	(106)	(106)	**(49)**	**(49)**	(106)	(106)
M&GGPS	**—**	**(34)**	—	(64)	**—**	**—**	—	—
Total	**(12)**	**(46)**	(48)	(112)	**(22)**	**(22)**	(66)	(66)

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 2021, the SASPS and M&GGPS schemes are in deficit 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 has investments of £207m (2020: £201m) in insurance policies issued by PPL through which it invests in certain pooled funds, and therefore are excluded from the statutory valuation shown above. Therefore, while M&GGPS is in surplus on an economic basis, the elimination of the insurance policies means that it is in deficit on a statutory basis in the Group's IFRS consolidated statement of financial position.

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.

D Valuation for solvency purposes (continued)

D.3 Valuation of other liabilities (continued)

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 67: Pension scheme actuarial economic assumptions

	As at 31 December					
	2021			2020		
	PSPS	**SASPS**	**M&GGPS**	PSPS	SASPS	M&GGPS
Discount rate[1]	**1.8 %**	**1.8 %**	**1.8 %**	1.2 %	1.3 %	1.3 %
Salary inflation[2]	**3.6 %**	**3.4 %**	**3.3 %**	3.0 %	2.9 %	2.9 %
Retail Prices Index (RPI)	**3.6 %**	**3.4 %**	**3.3 %**	3.0 %	2.9 %	2.9 %
Consumer Prices Index (CPI)	**3.1 %**	**3.1 %**	**2.9 %**	2.2 %	2.1 %	2.1 %
Rate of increase of pensions in payment for inflation[3]						
CPI (maximum 5%)[4]	**3.1 %**	**n/a**	**n/a**	2.5 %	n/a	n/a
CPI (maximum 2.5%)[4]	**2.5 %**	**n/a**	**n/a**	2.5 %	n/a	n/a
Discretionary[4]	**2.5 %**	**n/a**	**n/a**	2.5 %	n/a	n/a
RPI (maximum 5%)	**n/a**	**3.4 %**	**3.3 %**	n/a	2.9 %	2.9 %
RPI (maximum 2.5%)	**n/a**	**2.5 %**	**2.5 %**	n/a	2.5 %	2.5 %

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

Post retirement mortality

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

Figure 68: Pension scheme post retirement mortality assumptions

As at 31 December	Scheme	Mortality improvements model[1]	Expectation of life from retirement at aged 60: Male currently aged 60	Male currently aged 40	Female currently aged 60	Female currently aged 40
	PSPS	**CMI 2019**	**26.9**	**29.1**	**28.4**	**30.3**
2021	**SASPS**	**CMI 2019**	**27.9**	**30.0**	**30.1**	**31.9**
	M&GGPS	**CMI 2019**	**29.1**	**31.1**	**30.6**	**32.3**
	PSPS	CMI 2018	27.3	29.5	28.6	30.6
2020	SASPS	CMI 2018	27.1	29.4	30.4	32.3
	M&GGPS	CMI 2018	28.8	30.8	30.3	32.2

1 The mortality assumptions are adjusted to make allowance for future improvements in longevity. As at 31 December 2021, this allowance was based on the CMI 2019 mortality improvements model with improvement factors of 1.75% for males and 1.50% for 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 2021 Annual Report and Accounts.

iv) Significant changes in the schemes during 2021

There were no significant changes to the schemes during 2021.

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 2021 comprise the following investments:

D Valuation for solvency purposes (continued)

D.3 Valuation of other liabilities (continued)

M&G plc

Figure 69: M&G plc - Scheme assets

	As at 31 December				
	2021				2020
	PSPS	Other	Total		Total
	£m	£m	£m	%	£m
Equities:					
UK	48	7	55	1	29
Overseas	28	39	67	1	79
Bonds:					
Government	4,538	969	5,507	60	5,695
Corporate	1,909	480	2,389	26	2,517
Asset-backed securities	392	25	417	4	309
Derivatives[i]	43	29	72	1	219
Properties	215	115	330	4	276
Other assets	221	83	304	3	469
Total value of assets	7,394	1,747	9,141	100	9,593

[i] Included within derivatives is a £11m liability in respect of a longevity swap transaction with Pacific Life Re Limited (2020: £15m).

PAC

Figure 70: PAC - Scheme assets

	As at 31 December				
	2021				2020
	PSPS	SASPS	Total		Total
	£m	£m	£m	%	£m
Equities:					
UK	48	—	48	1	19
Overseas	28	—	28	—	14
Bonds:			—	—	
Government	4,538	516	5,054	60	5,339
Corporate	1,909	377	2,286	27	2,430
Asset-backed securities	392	—	392	5	283
Derivatives[i]	43	7	50	1	219
Properties	215	73	288	3	195
Other assets	221	22	244	3	355
Total value of assets	7,394	995	8,390	100	8,853

[i] See notes below Figure 69.

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 2021 had a Solvency II value of £1,081m (2020: £802m) and an IFRS value of £1,038m (2020: £808m), principally relating to unrealised gains on investments. Tax on these gains will mainly fall due when the underlying assets are sold.

D Valuation for solvency purposes (continued)

D.3 Valuation of other liabilities (continued)

UK GAAP follows similar principles to IFRS. PAC reported a DTL of £970m under Solvency II (£960m under UK GAAP) at 31 December 2021. This principally relates to unrealised gains on investments. Tax on these gains will mainly fall due when the underlying assets are sold.

PPL reported deferred tax liabilities of £0.8m under Solvency II (£0.4m under UK GAAP) at 31 December 2021.

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: £54m (2020: £82m)
- PAC: £56m (2020: £106m)

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 53.

M&G plc

Figure 71: M&G plc - Other liabilities

	As at 31 December					
	2021			2020		
	Solvency II	IFRS[1]	Valuation difference	Solvency II	IFRS[1]	Valuation difference
	£m	£m	£m	£m	£m	£m
Debts owed to credit institutions	**2,882**	**2,882**	**—**	3,424	3,424	—
Deposits from reinsurers	**298**	**298**	**—**	344	344	—
Insurance & intermediaries payables	**898**	**898**	**—**	803	803	—
Payables (trade, not insurance)	**3,849**	**3,849**	**—**	2,818	2,818	—
Reinsurance payables	**46**	**46**	**—**	92	92	—
Subordinated liabilities	**3,728**	**3,748**	**20**	3,969	3,771	(198)
Any other liabilities, not elsewhere shown	**—**	**—**	**—**	—	—	—
Total of 'Other liabilities'	**11,701**	**11,721**	**20**	11,450	11,252	(198)

[1]The IFRS figures are shown after the presentational changes shown in Figure 53 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 £413m (2020: £354m) which are described in more detail in Section D.3.1.8.

Subordinated liabilities are described below.

D Valuation for solvency purposes (continued)

D.3 Valuation of other liabilities (continued)

PAC

Figure 72: PAC - Other liabilities

	As at 31 December					
	2021			2020		
	Solvency II	**UK GAAP**	**Valuation difference**	Solvency II	UK GAAP	Valuation difference
	£m	**£m**	**£m**	£m	£m	£m
Insurance & intermediaries payables	**781**	**841**	**(60)**	727	782	(55)
Payables (trade, not insurance)	**4,109**	**4,534**	**(425)**	3,085	2,990	95
Reinsurance payables	**44**	**44**	**—**	96	90	6
Other liabilities	**298**	**559**	**(261)**	344	602	(258)
Total of 'Other liabilities'	**5,232**	**5,978**	**(746)**	4,252	4,464	(212)

PPL

Other liabilities include reinsurance payables, payables (trade, not insurance), and other liabilities not shown elsewhere. There are no material valuation differences between the 2021 Solvency II position and the 2021 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.

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 73: Subordinated debt instruments

		As at 31 December					
		2021			2020		
	Principal amount	**Solvency II value**	**IFRS value inc accrued interest**	**IFRS value**	Solvency II value	IFRS value inc accrued interest	IFRS value
		£m	**£m**	**£m**	£m	£m	£m
5.625% sterling fixed rate due 20 October 2051	**£750m**	**846**	**856**	**848**	902	865	856
6.25% sterling fixed rate due 20 October 2068	**£500m**	**611**	**612**	**606**	655	614	608
6.50% US dollar fixed rate due 20 October 2048	**$500m**	**432**	**428**	**423**	457	431	425
6.34% sterling fixed rate due 19 December 2063	**£700m**	**847**	**851**	**849**	906	854	853
5.56% sterling fixed rate due 20 July 2055	**£600m**	**684**	**691**	**676**	730	695	680
3.875% sterling fixed rate due 20 July 2049	**£300m**	**308**	**310**	**304**	319	312	307
Total subordinated liabilities		**3,728**	**3,748**	**3,706**	3,969	3,771	3,729

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 2021.

D Valuation for solvency purposes (continued)

D.3 Valuation of other liabilities (continued)

D.3.1.8 Lease liabilities

M&G plc
M&G plc has recognised liabilities of £413m (2020: £354m) 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 2021 and 31 December 2020 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.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.

D Valuation for solvency purposes (continued)

D.4 Alternative methods for valuation (continued)

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 the period to 2024.

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 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 2021 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 2021 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 74: M&G plc - Reconciliation of the regulatory Solvency II capital position to that disclosed in the QRTs

	As at 31 December 2021			
	Own funds	SCR	Surplus	Solvency ratio
	£m	£m	£m	%
Group shareholder Solvency II capital position as disclosed in the statutory financial statements[1]	11,409	5,237	6,172	218 %
With-Profits Fund capital position[2]	11,625	3,848	7,777	302 %
Ring-fenced funds consolidation of own funds limited to SCR balances	(7,777)	—	(7,777)	—
Group regulatory Solvency II capital position as disclosed in templates S.23.01.22 and S.25.03.22	**15,257**	**9,085**	**6,172**	**168 %**

[1] The figures in the M&G plc 2021 Annual Report and Accounts were disclosed in £bn.

[2] The With-Profits Fund capital position shown above reflects own funds and SCR calculated using the latest approved regulatory TMTP which was recalculated reflecting management's estimate of operating and market conditions as at 31 December 2021. This is consistent in both the SFCR and the statutory financial statements.

E Capital management (continued)

E.1 Own funds (continued)

PAC

Figure 75: PAC - Reconciliation of the regulatory Solvency II capital position to that disclosed in the QRTs

	As at 31 December 2021			
	Own funds	SCR	Surplus	Solvency ratio
	£m	£m	£m	%
PAC shareholder Solvency II capital position as disclosed in the statutory financial statements	8,313	4,448	3,866	187 %
With-Profits Fund capital position as disclosed in the statutory financial statements[2]	11,625	3,848	7,777	302 %
Ring-fenced funds consolidation of own funds limited to SCR balances	(7,777)	—	(7,777)	—
PAC regulatory Solvency II capital position as disclosed in templates S.23.01.01 and S.25.03.21	**12,161**	**8,296**	**3,866**	**147 %**

[2] See notes below Figure 74.

PPL

Figure 76: PPL - Reconciliation of the regulatory Solvency II capital position to that disclosed in the QRTs

	As at 31 December 2021			
	Own funds	SCR	Surplus	Solvency ratio
	£m	£m	£m	%
PPL shareholder Solvency II capital position as disclosed in the statutory financial statements	77	45	33	173 %
Other changes	—	—	—	—
PPL regulatory Solvency II capital position as disclosed in templates S.23.01.01 and S.25.03.21	**77**	**45**	**33**	**173 %**

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 2021. Items suffixed with (a) to (d) are discussed in further detail on the next page.

M&G plc

Figure 77: M&G plc - Analysis of components of own funds at 31 December 2021 and 31 December 2020

	As at 31 December					
	Total 2021 £m	Tier 1 unrestricted £m	Tier 1 restricted £m	Tier 2 £m	Tier 3[f] £m	Total 2020 £m
Ordinary share capital including share premium[a]	**500**	**500**	—	—	—	500
Surplus funds[b]	**12,336**	**12,336**	—	—	—	12,727
Reconciliation reserve[c]	**(1,396)**	**(1,396)**	—	—	—	(1,645)
Subordinated liabilities[d] [1]	**3,728**	—	—	**3,728**	—	3,969
Net deferred tax assets	**89**	—	—	—	**89**	80
Deductions for participations in credit institutions, investment firms and financial institutions	**(1,135)**	**(1,135)**	—	—	—	(947)
Total eligible own funds to meet the Group MCR	**10,734**	**10,304**	—	**430**	—	11,148
Total eligible own funds to meet the Group SCR (excluding other financial sectors)	**14,122**	**10,304**	—	**3,728**	**89**	14,684
Participations in credit institutions, investment firms and financial institutions[e]	**1,135**	**1,135**	—	—	—	947
Total eligible own funds to meet the Group SCR (including other financial sectors)	**15,257**	**11,439**	—	**3,728**	**89**	15,631

[1] Of the £3,728m of Tier 2 capital only £430m (20% of the MCR), is eligible to meet the MCR.

PAC

Figure 78: PAC - Analysis of components of own funds at 31 December 2021 and 31 December 2020

	As at 31 December PAC		
	Total 2021 £m	Tier 1 unrestricted £m	Total 2020 £m
Ordinary share capital[a]	**330**	**330**	330
Surplus funds[b]	**12,336**	**12,336**	12,727
Reconciliation reserve[c]	**(504)**	**(504)**	556
Total eligible own funds to meet the the MCR[1]	**12,161**	**12,161**	13,613
Total eligible own funds to meet the SCR[1]	**12,161**	**12,161**	13,613

[1] 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 79: PPL - Analysis of components of own funds at 31 December 2021 and 31 December 2020

	As at 31 December PPL		
	Total 2021 £m	**Tier 1 unrestricted £m**	Total 2020 £m
Ordinary share capital[(a)]	**6**	**6**	6
Surplus funds[(b)]	0	0	0
Reconciliation reserve[(c)]	**71**	**71**	79
Total eligible own funds to meet the the MCR[1]	**77**	**77**	85
Total eligible own funds to meet the SCR[1]	**77**	**77**	85

[1] 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 £130m, represents the nominal value of 5p for each fully paid equity share issued. The difference between the proceeds received on issue of shares, net of issue costs, and the nominal value of shares issued is treated as share premium, £370m.

M&G plc has announced its intention to return £500m to shareholders by way of a share buy-back programme, which is expected to start shortly and to complete within 12 months.

PAC's ordinary share capital represents the nominal value of 25p 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.

(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 80: Analysis of components of the reconciliation reserve

	As at 31 December					
	M&G plc		**PAC**		**PPL**	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Excess of assets over liabilities	**19,413**	18,798	**19,938**	20,614	**77**	85
Deductions[1]						
Own shares (held directly and indirectly)	**(108)**	(135)	**—**	—	**—**	—
Foreseeable dividends, distributions and charges	**—**	—	**—**	—	**—**	—
Other basic own fund items	**(12,924)**	(13,307)	**(12,665)**	(13,057)	**(6)**	(6)
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**(7,777)**	(7,001)	**(7,777)**	(7,001)	**—**	—
Other non-available own funds	**—**	—	**—**	—	**—**	—
Reconciliation reserve	**(1,396)**	(1,645)	**(504)**	556	**71**	79

[1] 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 2021, 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 2021 is described in Figure 81.

Also shown in Figure 81 is the Solvency II valuation of these instruments. The Solvency II valuation of £3,728m as at 31 December 2021 (2020: £3,969m) 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 2020 primarily reflects a rise in the risk free rate of interest offset by payments of coupons since that time.

Figure 81: 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
Principal amount	**£750m**	**£500m**	**$500m**	**£700m**	**£600m**	**£300m**
Issue date[1]	**1 October 2018**	**1 October 2018**	**1 October 2018**	**16 December 2013 (amended 10 June 2019)**	**9 June 2015 (amended 10 June 2019)**	**8 July 2019**
Maturity date	**20 October 2051**	**20 October 2068**	**20 October 2048**	**19 December 2063**	**20 July 2055**	**20 July 2049**
Callable at par at the option of the Company from	**20 October 2031 (and each semi-annual interest payment date thereafter)**	**20 October 2048 (and each semi-annual interest payment date thereafter)**	**20 October 2028 (and each semi-annual interest payment date thereafter)**	**19 December 2043 (and each semi-annual interest payment date thereafter)**	**20 July 2035 (and each semi-annual interest payment date thereafter)**	**20 July 2024, 20 July 2029 (and each semi-annual interest payment date thereafter)**
Solvency II own funds treatment	**Tier 2**	**Tier 2**	**Tier 2**	**Tier 2**	**Tier 2**	**Tier 2**
Solvency II value at 31 December 2021	**£846m**	**£611m**	**£432m**	**£847m**	**£685m**	**£308m**
Solvency II value at 31 December 2020	£902m	£655m	£457m	£906m	£730m	£319m

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

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 £89m of a net DTA as at 31 December 2021 (2020: £80m), after offsetting DTL, where appropriate.

Changes in composition of own funds during 2021

There have been no significant changes in the composition of own funds during 2021 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 2021.

E Capital management (continued)

E.1 Own funds (continued)

E.1.4 Change in own funds for the year ended 31 December 2021

Figure 82 below and the accompanying commentary provide the reasons for the changes in the components which make up the own funds during 2021. 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 82: M&G plc - Analysis of change in own funds for the year ended 31 December 2021

		For the year ended 31 December 2021		
£m		Shareholder view	With-profits Fund view	Regulatory view
Own funds as at 31 December 2020		**10,736**	**11,896**	**15,630**
Asset Management	Asset Management	308	—	308
	Other	—	—	—
	Asset Management underlying own funds generation	**308**	**—**	**308**
Retail and Savings	**Wealth**	**117**	**—**	**117**
	With-profits	128	—	128
	- of which: In-force	169	—	169
	- of which: New business	(41)	—	(41)
	Platform and Advice	(11)	—	(11)
	Other	—	—	—
	Heritage	**185**	**—**	**185**
	With-profits	115	—	115
	Shareholder annuity and other	70	—	70
	Other Retail and Savings	**36**	**—**	**36**
	Retail and Savings underlying capital generation	**338**	**—**	**338**
Corporate	Interest & Head Office cost	**(280)**	**—**	**(280)**
Ring-fenced With-Profits Fund		**—**	**395**	**395**
Total Underlying own funds generation		**366**	**395**	**761**
Other operating own funds generation		**217**	**8**	**225**
	Asset management	5	—	5
	Retail and Savings	201	—	201
	Corporate centre	11	—	11
	Ring-fenced with-profits fund	—	8	8
Total operating own funds generation		**583**	**403**	**986**
	Market movements	739	(422)	317
	Restructuring	(167)	(45)	(212)
	Tax	16	(174)	(158)
Total Own Funds Generation from continuing operations		**1,171**	**(238)**	**933**
Own Funds Generation from discontinued operations		**—**	**—**	**—**
Total Own Funds Generation		**1,171**	**(238)**	**933**
Dividends & capital movements		(410)	—	(410)
Change in with-profits ring-fenced funds restrictions		—	—	(809)
Total Movement in Own Funds (recalculated transitional measure)		**761**	**(238)**	**(286)**
Impact of recalculating transitional measure		**(88)**	**(33)**	**(88)**
Own funds as at 31 December 2021[3]		**11,409**	**11,625**	**15,257**

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

[2] The contribution of the With-Profits Fund to Group own funds is limited to that required to cover the fund's capital requirements (see Section E.2). During 2021, the restriction increased by £809m, which reflects a £238m fall in the With-Profits Fund's own funds and a £1,047m reduction in the fund's SCR.

[3] Total own funds at 31 December 2021 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 2021 were as follows:

Shareholder:

- Underlying own funds generation was £366m during 2021. This reflects £308m adjusted operating profit before tax from the Asset Management business, and £243m 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 £95m, due to the expected growth of excess assets and the release of credit reserves. These positive impacts were partially offset by £280m of debt interest and Head-Office costs.
- Other operating items resulted in own funds capital generation of £217m. This includes the positive impact of model changes of £109m, and £116m from management actions, which mainly related to asset trading in the annuity portfolio, and beneficial longevity assumption changes of £89m offset by expense assumption changes that reduced own funds by £56m.
- Non-operating items increased own funds by £588m. This reflects positive market movements of £739m and £16m of tax, offset by £167m of restructuring costs.
- Dividends and capital movements contributed to a net reduction of £410m in own funds, and were primarily comprised of £466m dividends paid to shareholders over the period.

With-Profits Fund:

See PAC With-Profits fund section below in Figure 83.

E Capital management (continued)

E.1 Own funds (continued)

PAC

Figure 83: PAC - Analysis of change in own funds for the year ended 31 December 2021

		Shareholder	With-Profits Fund	Regulatory
Own funds as at 31 December 2020		**8,717**	**11,896**	**13,612**
Retail and Savings	**Wealth**	**130**	**—**	**130**
	With-profits	128	—	128
	- of which: In-force	169	—	169
	- of which: New business	(41)	—	(41)
	Platform and Advice	—	—	—
	Other	2	—	2
	Heritage	**181**	**—**	**181**
	With-profits	115	—	115
	Shareholder annuity and other	66	—	66
	Other Retail and Savings	**36**	**—**	**36**
	Retail and Savings underlying capital generation	**347**	**—**	**347**
Ring-fenced With-Profits Fund		**—**	**395**	**395**
Total Underlying own funds generation		**347**	**395**	**742**
Other operating own funds generation		**178**	**8**	**186**
	Retail and Savings	178	—	178
	Ring-fenced With-Profits Fund	—	8	8
Total operating own funds generation		**525**	**403**	**928**
	Market movements	739	(422)	317
	Restructuring	(32)	(45)	(77)
	Tax	(17)	(174)	(191)
Total Own Funds Generation from continuing operations		**1,215**	**(238)**	**977**
Own Funds Generation from discontinued operations		**—**	**—**	**—**
Total Own Funds Generation		**1,215**	**(238)**	**977**
Dividends & capital movements		(1,550)	—	(1,550)
Change in with-profits ring-fenced funds restrictions		—	—	(809)
Total Movement in Own Funds (recalculated transitional measure)		**(335)**	**(238)**	**(1,382)**
Impact of recalculating transitional measure		**(69)**	**(33)**	**(69)**
Own funds as at 31 December 2021[3]		**8,313**	**11,625**	**12,161**

[1] 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).

[2] The analysis of change in own funds is presented assuming the TMTP was recalculated as at 31 December 2021. An adjustment of £(69)m is shown at the end of the table from recalculating the TMTP at 31 December 2020, in line with the other numbers presented in the SFCR.

[3] Total own funds at 31 December 2021 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 2021 were as follows:

Shareholder:

- £347m 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 capital generation of £178m. This includes the impact of longevity and expense assumption changes and management actions.
- Market movements of £739m, primarily due to lower yields over the period on non-profit annuity assets and shareholder transfers.
- £(32)m from restructuring costs.
- Tax changes of £(17)m due to the additional tax charge incurred over the period.
- The payment of £1,550m in dividends to M&G plc over 2021. Further information is in Section A.1.4.6.

E Capital management (continued)

E.1 Own funds (continued)

With-Profits Fund:

- Underlying capital generation of £395m comprised of £377m 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 £18m from new business written during the period, reflecting the future margins expected over the lifetime of that business.
- Other operating capital generation of £8m. This includes the impact of the merger of SAIF into the WPSF on 1st April 2021; model changes in respect of PIA modelling of options and guarantees; changes in the parameterisation of the modelled management actions; updates to non-market assumptions; and non-market experience.
- Market movements of £(422)m, primarily reflecting the reduction in the cost of guarantees from the investment return in excess of expected return.
- £(45)m from exceptional transformation expenses and restructuring costs.
- Tax changes of £(174)m, driven primarily by the increase in the long-term corporation tax assumption (19% for 2021 and 2022, 23.5% for 2023, and 25% for 2024 onwards) used to calculate tax on future shareholder transfers.
- 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 £1,047m 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 84: PPL - Analysis of change in own funds for the year ended 31 December 2021

All figures in £m	PPL
Own Funds as at 31 December 2020	**85**
Total underlying own funds generation	8
Other operating own funds generation	(15)
Total operating own funds generation	**(7)**
Market movements	1
Tax	(1)
Total Own Funds Generation	**(7)**
Total Movement in Own Funds	**(7)**
Impact of recalculating transitional measure	(1)
Own funds as at 31 December 2021[1]	**77**

[1] Total own funds at 31 December 2021 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:

- £8m from underlying own funds movements, comprised of expected surplus from in-force business and the contribution from new business.
- Other operating movements of £(15)m, primarily changes in non-market experience, mainly unfavourable persistency experience and higher than reserved for expenses, partly offset by changes in non-market assumptions, mainly expense assumptions.
- £1m from market movements.
- Tax changes of £(1)m.

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 85 below. The reconciling items are described in Sections D and E above.

Figure 85: Reconciliation of shareholder equity to Solvency II own funds at 31 December 2021 and 31 December 2020

	As at 31 December					
	M&G plc		PAC		PPL	
	2021	2020	2021	2020	2021	2020
	£m	£m	£m	£m	£m	£m
Statutory financial statements shareholders' equity	**5,345**	5,585	**4,678**	6,134	**76**	77
Remove unallocated surplus of the With-Profits Fund from liabilities	**16,723**	15,621	**16,871**	15,672	**—**	—
Deduct goodwill and intangible assets	**(1,419)**	(1,313)	**—**	—	**—**	—
Deduct deferred acquisition costs	**—**	—	**(14)**	(19)	**—**	—
Net impact of valuing policyholder liabilities and reinsurance valued on Solvency II basis	**(331)**	333	**(643)**	109	**—**	—
Impact of introducing Solvency II Risk Margin (net of transitional measures)	**(1,148)**	(1,434)	**(1,060)**	(1,358)	**(17)**	(20)
Impact of measuring assets and liabilities in line with Solvency II principles	**217**	(95)	**131**	202	**18**	29
Recognise own shares[1]	**94**	135	**—**	—	**—**	—
Other	**(68)**	(34)	**(25)**	(126)	**—**	—
Solvency II excess of assets over liabilities	**19,413**	18,798	**19,938**	20,614	**77**	85
Subordinated debt capital	**3,728**	3,969	**—**	—	**—**	—
Ring-fenced fund restrictions	**(7,777)**	(7,001)	**(7,777)**	(7,001)	**—**	—
Deduct own shares	**(108)**	(135)	**—**	—	**—**	—
Solvency II eligible own funds	**15,257**	15,631	**12,161**	13,613	**77**	85

[1] Group - Own shares are recognised on the Solvency II balance sheet at fair value of £108m (2020: £135m), which differs to cost measurement used for IFRS of £94m (2020: £118m).

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 85 above. The ring-fenced fund restriction excludes the expected present value of shareholder transfers expected to emerge from the With-Profits Fund, and therefore the value of these transfers contributes to 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 surplus in defined benefit pension schemes is not considered available to meet losses elsewhere in the Group. For each of the Group's defined benefit pension schemes, any excess of the own funds of the scheme over its contribution to the SCR is restricted. As at 31 December 2021, no restriction to own funds was required.

Other restrictions to own funds

In line with Solvency II requirements, the Group considers the extent to which own funds are transferable around the Group within nine months under stressed market conditions (to a 1-in-200 level), and assessed there were no further restrictions to own funds required as at 31 December 2021.

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 2021 of 12.2 pence per ordinary share, estimated at £311m in total, was approved by the Group Board on 8 March 2022 to be paid on 28 April 2022. This dividend was not deemed foreseeable as at 31 December 2021 and therefore not deducted from own funds.

On 3 March 2022 the board of PAC approved a final dividend in respect of 2021 of £333m to be paid to M&G plc. This dividend was not deemed foreseeable as at 31 December 2021 and therefore not deducted from own funds.

No dividend has been declared for PPL for the year 2021 (2020: £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 86 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 2021 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 £8,489m, calculated on the basis of the consolidated data, reflects the capital requirements of the Group's main insurance subsidiary PAC (£8,296m) 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 (continued)

Figure 86: Composition of capital requirements

	As at 31 December					
	M&G plc		PAC		PPL	
	2021	2020	2021	2020	2021	2020
Risk component	£m	£m	£m	£m	£m	£m
Interest rate risk	**1,011**	1,263	**1,011**	1,264	**4**	3
Equity risk	**3,463**	3,714	**3,461**	3,712	**16**	19
Property risk	**1,292**	1,413	**1,248**	1,365	**1**	2
Credit risk[1]	**4,389**	5,029	**4,392**	5,044	**12**	16
Concentration risk	**—**	—	**—**	—	**—**	—
Currency risk	**1,903**	2,010	**1,904**	2,011	**6**	7
Diversification within market risks	**(4,776)**	(4,822)	**(4,766)**	(4,812)	**(11)**	(13)
Other counterparty risk	**163**	439	**126**	394	**—**	—
Mortality risk	**16**	10	**16**	10	**—**	—
Longevity risk	**3,369**	4,042	**3,371**	4,024	**—**	—
Disability-morbidity risk	**31**	32	**31**	32	**—**	—
Mass lapse	**197**	138	**197**	138	**4**	5
Other lapse risk	**1,497**	1,490	**1,497**	1,490	**5**	21
Expense risk	**1,388**	1,406	**1,388**	1,406	**51**	62
Life catastrophe	**23**	21	**24**	21	**—**	—
Diversification within life underwriting risks	**(3,656)**	(3,608)	**(3,607)**	(3,559)	**(42)**	(50)
Other non-life underwriting risk	**—**	—	**—**	—	**—**	—
Operational risk	**1,490**	1,519	**1,381**	1,413	**19**	14
Loss-absorbing capacity of deferred tax	**(1,208)**	(997)	**(1,307)**	(1,081)	**(5)**	(6)
Other adjustments	**—**	—	**—**	—	**—**	—
Total undiversified components	**10,593**	13,098	**10,366**	12,871	**62**	81
Diversification between market and underwriting risks	**(2,104)**	(2,903)	**(2,070)**	(2,869)	**(17)**	(32)
Total diversified SCR based on consolidated data	**8,489**	10,195	**8,296**	10,002	**45**	50
Sectoral SCR	**596**	540	**—**	—	**—**	—
Total SCR	**9,085**	10,735	**8,296**	10,002	**45**	50

[1] 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 2021 include:

- A reduction in market risk capital in respect of with-profits business, largely driven by the fall in equity risk capital following the merger of SAIF with the WPSF; the transition of c£1bn of assets into lower-risk assets; and model changes.
- The reduction in undiversified credit risk capital is largely due to the increase in the risk-free interest rates experienced over 2021 and the divestment of credit risky assets within the non-profit annuity asset portfolio, both of which reduces the sensitivity of the asset portfolio to credit spread risk.
- A reduction in counterparty risk capital following the Part VII transfer of the Rothesay Life PLC business. See section A.1.4.3 for more detail.
- 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.

PPL

As discussed in Figure 44 the undiversified persistency and expense capital requirements have reduced following the increase in interest rates over the period. This results in a lower diversification benefit compared to YE 2020.

Minimum Capital Requirements

The M&G plc MCR 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 2021, the M&G plc MCR was £2,148m, of which £2,074m relates to PAC, £20m to PPL and £54m 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 (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 2021, the SCR has been reduced by an adjustment for LADT of £1,208m (2020: £997m) for M&G plc, £1,307m (2020: £1,081m) for PAC and £5m (2020: £6m) for PPL. The increase in LADT for PAC and thus M&G plc over the period is primarily driven by an increase in the with-profits LADT caused by positive market conditions which results in higher taxation on unrealised gains.

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 2021 (Unaudited)

Figure 87 below and the accompanying commentary provide the reasons for the changes in the components that make up M&G plc's SCR during 2021. 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 (continued)

M&G plc

Figure 87: Analysis of change in the M&G plc SCR

		For the year ended 31 December 2021		
		Shareholder view	With-Profits Fund view	Regulatory view
		£m	£m	£m
SCR as at 31 December 2020		**5,840**	**4,895**	**10,735**
Asset Management	Retail Asset Management	(5)	—	(5)
	Other	—	—	—
	Asset Management underlying capital generation	**(5)**	**—**	**(5)**
Retail and Savings	**Wealth**	**68**	**—**	**68**
	With-profits[1]	68	—	68
	- of which: In-force	57	—	57
	- of which: New business	11	—	11
	Platform and Advice	—	—	—
	Other	—	—	—
	Heritage	**(193)**	**—**	**(193)**
	With-profits[1]	(27)	—	(27)
	Shareholder annuity and other	(166)	—	(166)
	Other Retail and Savings	**4**	**—**	**4**
	Retail and Savings underlying capital generation	**(121)**	**—**	**(121)**
Corporate	**Interest & Head Office cost**	**8**	**—**	**8**
Ring-fenced With-Profits Fund		**—**	**(312)**	**(312)**
Total Underlying SCR generation		**(118)**	**(312)**	**(430)**
Other operating SCR generation		**(416)**	**(329)**	**(745)**
	Asset management	(10)	—	(10)
	Retail and Savings	(420)	—	(420)
	Corporate centre	14	—	14
	Ring-fenced with-profits fund	—	(329)	(329)
Total operating SCR generation		**(534)**	**(641)**	**(1,175)**
	Market movements	(178)	(294)	(472)
	Restructuring	14	—	14
	Tax	47	(112)	(65)
Total SCR Generation from continuing operations		**(651)**	**(1,047)**	**(1,698)**
SCR Generation from discontinued operations		**—**	**—**	**—**
Total SCR Generation		**(651)**	**(1,047)**	**(1,698)**
Dividends & capital movements		24	—	24
Change in with-profits ring-fenced funds restrictions		—	—	—
Total Movement in SCR (recalculated transitional measure)		**(627)**	**(1,047)**	**(1,674)**
Impact of moving to regulatory transitional measure		**25**	**—**	**25**
SCR as at 31 December 2021		**5,237**	**3,848**	**9,085**

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

E Capital management (continued)

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

The main SCR movements during 2021 were as follows:

Shareholder:

- Underlying movements resulted in a net £118m decrease in the Group shareholder SCR during 2021. For Retail and Savings Wealth with-profits business, there was a £68m 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 £193m represents the expected movement as the business runs off and capital is released. The underlying SCR movements from non-insurance business are small in the context of the Group.
- Other operating items resulted in a £416m decrease in the SCR. The most significant driver was management actions of £352m, which included a £214m benefit from asset trading and optimisation, £39m from extending the Group's equity hedge programme, £51m from extending the Group's interest rate hedge program and a £30m benefit from changes in the with-profits asset holdings.
- Market movements reduced the SCR by £178m, primarily due to increasing interest rates reducing the capital requirement held in respect of shareholder annuity business.
- There was a £47m increase in the SCR due to changes in the LADT.
- Dividends and capital movements increased the Group's SCR by £24m which reflects the acquisition of the controlling stake in PPMSA.

With-Profits Fund:

See PAC With-Profits fund section below in Figure 88.

PAC

Figure 88: Analysis of change in the PAC SCR

		For the year ended 31 December 2021		
		Shareholder view	With-Profits Fund view	Regulatory view
		£m	£m	£m
SCR as at 31 December 2020		**5,107**	**4,895**	**10,002**
Retail and Savings	**Wealth**	**69**	**—**	**69**
	With-profits[1]	68	—	68
	- of which: In-force	57	—	57
	- of which: New business	11	—	11
	Platform and Advice	—	—	—
	Other	1	—	1
	Heritage	**(193)**	**—**	**(193)**
	With-profits[1]	(27)	—	(27)
	Shareholder annuity and other	(166)	—	(166)
	Other Retail and Savings	**3**	**—**	**3**
	Retail and Savings underlying capital generation	**(121)**	**—**	**(121)**
Ring-fenced With-Profits Fund		**—**	**(312)**	**(312)**
Total Underlying SCR generation		**(121)**	**(312)**	**(433)**
Other operating SCR generation		**(435)**	**(329)**	**(764)**
	Retail and Savings	(435)	—	(435)
	Ring-fenced with-profits fund	—	(329)	(329)
Total operating SCR generation		**(556)**	**(641)**	**(1,197)**
	Market movements	(151)	(294)	(445)
	Restructuring	—	—	—
	Tax	28	(112)	(84)
Total SCR Generation from continuing operations		**(679)**	**(1,047)**	**(1,726)**
SCR Generation from discontinued operations		—	—	—
Total SCR Generation		**(679)**	**(1,047)**	**(1,726)**
Dividends & capital movements		—	—	—
Change in with-profits ring-fenced funds restrictions		—	—	—
Total Movement in SCR (recalculated transitional measure)		**(679)**	**(1,047)**	**(1,726)**
Impact of moving to regulatory transitional measure		**20**	**—**	**20**
SCR as at 31 December 2021		**4,448**	**3,848**	**8,296**

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

E Capital management (continued)

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

The main SCR movements during 2021 were as follows:

Shareholder:

- Underlying movements resulted in a net £121m decrease in the PAC shareholder SCR during 2021 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 £435m decrease in the SCR. The most significant driver was management actions of £352m, as for M&G plc in the commentary for Figure 87 above.
- Market movements reduced the SCR by £151m primarily due to increasing interest rates reducing the capital requirement held in respect of shareholder annuity business.
- A £28m 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 £312m decrease during the period which reflects a £368m release of capital requirements as the in-force business runs off, offset by £56m additional capital requirements in respect of new business written over the period.
- Other operating items resulted in a £329m decrease in the SCR, primarily as a result of model development and management actions, including the merger of SAIF into the WPSF on 1 April 2021.
- Market movements reduced the SCR by £294m over the period, primarily driven by the rise in interest rates over 2021.
- A £112m reduction in SCR driven by an update to the future corporation tax assumption (19% for 2021 and 2022, 23.5% for 2023 and 25% for 2024 onwards).

PPL

PPL business is in the Retail and Savings segment.

Figure 89: Analysis of change in the PPL SCR

All figures in £m	Shareholder and regulatory view
SCR as at 31 December 2020	**50**
Total Underlying SCR generation	**(1)**
Other operating SCR generation	**(4)**
Total operating SCR generation	**(5)**
Market movements	**(3)**
Restructuring	—
Tax	2
Total SCR Generation	**(5)**
Dividends & capital movements	—
Total Movement in SCR (recalculated transitional measure)	**(5)**
Impact of moving to regulatory transitional measure	—
SCR as at 31 December 2021	**45**

The main movements that caused a £5m reduction in SCR during 2021 are as follows:

- Underlying movements resulted in a £1m 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.
- Other operating items resulted in a £4m reduction in the SCR, mainly due to changes to expected renewal expenses and higher than expected claims experience.
- Market movements reduced the SCR by £3m.
- There was a £2m increase in SCR due to changes in the LADT.

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 2021 has been demonstrated as part of an annual attestation process, as required by the framework.

E.4.2 Internal model application

As part of the Demerger process, a Major Model Change application was made to the PRA to amend the existing Internal Model to apply at the level of the M&G plc Group, rather than at the level of Prudential plc group. This focused on changes to the governance and risk management frameworks around the model at the point of demerger in October 2019. Approval was given to use a full Internal Model, in accordance with the Solvency II Directive, to calculate the consolidated M&G plc Group SCR and solo entity SCR for PAC, PPL and PIA. From 31 December 2020, the solo entity SCR for PIA was calculated using the standard formula, although its contribution to the Group SCR continues to be based on modelling PIA exposures using the Group's Internal Model.

A Major Model Change application for the M&G plc group was submitted to the PRA during 2021 and approval was received to use the revised Model for the 31 December 2021 valuation. Changes primarily related to the modelling of credit risk to reflect the different characteristics of the Group's credit risky holdings.

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 90 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, because the standard formula does not consider the impacts of combinations of risks occurring together, it requires that no diversification is recognised between risks inside the matching adjustment portfolio and risks outside the matching adjustment portfolio.

E Capital management (continued)

E.4 Group Internal Model (continued)

Figure 90: 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.
Persistency	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 2021.

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

Adjusted operating profit before tax	Adjusted operating profit before tax is one of the Group's key alternative performance measure. It is defined in Section A.2.
Annuity policy	Annuities are contracts which offer policyholders a regular income over the policyholder's life, in exchange for an upfront premium.
Assets under management and administration ("AUMA")	Assets under management and administration represents the total market value of all financial assets managed, administered or advised on behalf of customers and clients.
Board	The Board of Directors of the Company.
Bonuses	Bonuses refer to the non-guaranteed benefit added to participating life insurance policies and are the way in which policyholders receive their share of the profits of the policies. There are normally two types of bonus: Regular bonus: expected to be added every year during the term of the policy. It is not guaranteed that a regular bonus will be added each year, but once it is added, it cannot be reversed, also known as annual or reversionary bonus; and Final bonus: an additional bonus expected to be paid when policyholders take money from the policies. If investment return has been low over the lifetime of the policy, a final bonus may not be paid. Final bonuses may vary and are not guaranteed.
Brexit	The term used to refer to the UK's departure from the European Union.
Company/ parent company	M&G plc, a public limited company incorporated in England and Wales with registered number 11444019 whose registered office is 10 Fenchurch Avenue, London EC3M 5AG, UK.
Demerger	The demerger of the Group from the Prudential Group in October 2019.
Director	A Director of the Company
FCA	The Financial Conduct Authority ("FCA") is the body responsible for supervising the conduct of all financial services firms and for the prudential regulation of those financial services firms not supervised by the Prudential Regulation Authority ("PRA"), such as asset managers and independent financial advisers.
Group	The Company and its subsidiaries.
Group Executive Committee	The Group Executive Committee is composed of Board officers and senior-level executive management. It is the Group's most senior executive decision-making forum.
International Financial Reporting Standards ("IFRS")	International Financial Reporting Standards are accounting standards issued by the International Accounting Standards Board ("IASB"). The Group's consolidated financial statements are prepared in accordance with 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.
M&G Group Limited/M&G Investments	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.
Minimum Capital Requirements ("MCR")	The MCR is the minimum amount of capital that an insurer needs to hold to cover its risks under the Solvency II regulatory framework. If an insurer's capital falls below the MCR then authorisation will be withdrawn by the regulator unless the insurer is able to meet the MCR within a short period of time.
Merger and Transformation Programme	In August 2017, Prudential plc announced the merger of its UK and Europe business with the asset manager M&G to form the Group (the Merger). In conjunction with the Merger, and as part of the execution of its business strategy, the Group is implementing a transformation programme, with a number of initiatives and programmes.
Non-profit business	Contracts where the policyholders are not entitled to a share of the company's profits and surplus, but are entitled to other contractual benefits. Examples include pure risk policies (such as fixed annuities) and unit-linked policies.
Operating capital generation	Operating capital generation is the total capital generation before tax, adjusted to exclude market movements relative to those expected under long-term assumptions and to remove other non-operating items, including shareholder restructuring costs.
Own funds	Own funds refers to the Solvency II measure of capital available to meet losses, and is based on the assets less liabilities of the Group, subject to certain restrictions and adjustments.
PRA	The Prudential Regulation Authority (PRA) is the body responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms.
Prudential Group	Prudential plc and its subsidiaries and subsidiary undertakings.
Prudential plc	Prudential plc is a public limited company incorporated in England and Wales with registered number 1397169 whose registered office is 1 Angel Court, London EC2R 7AG, United Kingdom.
PruFund	Our PruFund proposition provides our retail customers with access to smoothed savings contracts with a wide choice of investment profiles.

Glossary (continued)

Rothesay Life	Rothesay Life PLC.
Scottish Amicable Insurance Fund ("SAIF")	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 was solely for the benefit of policyholders of SAIF. Shareholders of M&G plc have no entitlement to the profits of this fund although they are entitled to asset management fees on this business. SAIF merged with the WPSF on 1 April 2021.
SFDR	The Sustainable Finance Disclosure Regulation is designed to help institutional asset owners and retail clients understand, compare, and monitor the sustainability characteristics of investment funds by standardising sustainability disclosures.
SFDR Article 8 and 9	The intention of the article 8 and 9 labelling introduced under SFDR is to facilitate the decision making process for investors looking to invest in funds having the management of sustainability risks as a key part of their objective, and to that end it is our view that only those funds or strategies which seek to promote Environmental, Social or Governance characteristics as part of their binding investment objective should classify as article 8, with the remainder classified as mainstream funds.
Shareholder Solvency II coverage ratio	Shareholder Solvency II coverage ratio is the ratio of own funds to SCR, excluding the contribution to own funds and SCR from the Group's ring-fenced With-Profits Fund.
Solvency Capital Requirement ("SCR")	SCR represents the 99.5th percentile (or 1-in-200) worst outcome over the coming year, out of 100,000 equally likely scenarios, allowing for the dependency between the risks the business is exposed to. The SCR is calculated using the Group's Solvency II internal model.
Solvency II	A regime for the prudential regulation of insurance companies that was introduced by the EU on 1 January 2016.
Solvency II surplus	Solvency II surplus represents the own funds held by the Group less the Solvency Capital Requirement.
Statutory Profit	Profit, as reported within an entity's financial statements, in line with the adopted accounting standards.
The Prudential Assurance Company Limited ("PAC")	The Prudential Assurance Company Limited is a private limited company incorporated in England and Wales with registered number 00015454 whose registered office is 10 Fenchurch Avenue, London EC3M 5AG, United Kingdom.
Total capital generation	Total capital generation is the total change in Solvency II surplus capital before dividends and capital movements, and capital generated from discontinued operations.
Transitional measures	Transitional measures on technical provisions are an adjustment to Solvency II technical provisions, to smooth the impact of the change in the regulatory regime on 1 January 2016. This decreases linearly over
Unallocated surplus of the With-Profits Fund	Unallocated surplus of the With-Profits Fund represents the excess of assets over policyholder liabilities that have yet to be appropriated between policyholders and shareholders.
Unit-linked policy	A policy where the benefits are determined by the investment performance of the underlying assets in the unit-linked fund.
With-profits business	Contracts where the policyholders have a contractual right to receive, at the discretion of the Company, additional benefits based the profits of the fund, as a supplement to any guaranteed benefits.
With-Profits Fund	The Prudential Assurance Company Limited's fund where policyholders are entitled to a share of the profits of the fund. Normally, policyholders receive their share of the profits through bonuses. It is also known as a participating fund as policyholders have a participating interest in the With-Profit Funds and any declared bonuses.

Appendix B: QIS Waiver

The Financial Conduct Authority, on the application of The Prudential Assurance Company Limited (the firm), made a direction on 10 February 2021 under section 138A of the Financial Services and Markets Act 2000. The effect of the direction is to enable the firm to contract to pay benefits under linked long term contracts relating to;

(i) Ex-Prudential Holborn Life Limited ("PHL") funds in The Prudential Assurance Company Limited ("PAC") (Prudential European, Prudential International, Prudential Managed, Prudential Strategic Growth, Prudential Japanese, Prudential North American and Prudential Equity (Life only);

(ii) Ex-Scottish Amicable Life ("SAL") funds in PAC (Prudential European, Prudential International, Prudential Managed, Prudential Japanese, Prudential North American and Prudential Equity (Life only);

(iii) Ex-Scottish Amicable Life ("SAL") funds in PAC (Prudential European, Prudential International, Prudential Managed, Prudential Japanese, Prudential North American and Prudential Equity (Pension only);

(iv) Ex-M&G funds in PAC (Pru Equity Pension fund (ex M&G), Pru Equity Life fund (ex M&G), Pru Managed life fund (ex M&G) Pru Managed pension fund (ex M&G) and Pru Personal Pension fund (ex M&G) (Life & Pension); and

(v) PAC fund (Prufund Managed Fund) which are themselves determined, either wholly or partly, by reference to units in the LF Prudential European QIS Fund, LF Prudential Japanese QIS Fund, LF Prudential North American QIS Fund, and LF Prudential UK Growth QIS Fund provided that each of these funds comply with the requirements of provisions implementing the Directive 2009/65/EC or would do if they were subject to those provisions and with certain other conditions.

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 2021, 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 2021 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 2022.

Signed on behalf of the Board of Directors

J Foley
Director
5 April 2022

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 2021, 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 2021 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 2022.

Signed on behalf of the Board of Directors

P Cooper
Director
5 April 2022

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 2021, 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 2021 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 2022.

Signed on behalf of the Board of Directors

P Cooper
Director
5 April 2022

Independent Auditor's Report

Report of the external independent auditor to the Directors of M&G plc ('the Group'), the Directors of Prudential Assurance Company ('PAC') and the Directors of Prudential Pensions Limited ('PPL') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the Relevant Elements of the Group Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by the Group, PAC and PPL (together, 'the entities') as at 31 December 2021:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Group Solvency and Financial Condition Report of the entities as at 31 December 2021, ('the Narrative Disclosures subject to audit'); and
- The Group templates S02.01.02, S22.01.22, S23.01.22, S32.01.22; the PAC templates S02.01.02, S12.01.02, S17.01.02, S22.01.21, S23.01.01, S28.02.01; and the PPL templates S02.01.02, S12.01.02, S22.01.21, S23.01.01, S28.02.01 ('the Templates subject to audit')..

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the 'Relevant Elements of the Group Solvency and Financial Condition Report'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- Information contained within the Relevant Elements of the Group Solvency and Financial Condition Report set out about above which are, or derive from the Solvency Capital Requirement, as identified in the Appendix to this report;
- The 'Business and performance', 'System of governance' and 'Risk profile' sections of the Group Solvency and Financial Condition Report;
- Group templates S05.01.02, S.25.03.22;
- PAC templates S05.01.02, S19.01.21, S.25.03.21;
- PPL templates S05.01.02, 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 measures on technical provisions as set out in the Appendix to this report;
- The written acknowledgement by the Directors' of their responsibilities, including for the preparation of the Group Solvency and Financial Condition Report ('the Responsibility Statement');
- Information which pertains to an undertaking that is not a Solvency II undertaking and has been prepared in accordance with PRA rules other than those implementing the Solvency II Directive or in accordance with an EU instrument other than the Solvency II regulations. ('the sectoral information').

To the extent the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report of the entities as at 31 December 2021 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Relevant Elements of the Group Solvency and Financial Condition Report section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Group Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - special purpose basis of accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Group Solvency and Financial Condition Report, which describe the basis of accounting. The Group Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Group Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Group Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Going concern

The Directors have prepared the Group Solvency and Financial Condition Report on the going concern basis as they do not intend to liquidate the entities or to cease their operations, and as they have concluded that the entities' financial position means that this is the

Independent Auditor's Report (continued)

realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability of the entities to continue as a going concern for at least a year from the date of approval of the Group Solvency and Financial Condition Report ("the going concern period").

We have used our knowledge of the entities, their industry, and the general economic environment to identify the inherent risks to their business models and analysed how those risks might affect the entities' financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the entities' available financial resources over this period were:

- adverse impacts arising from fluctuations or negative trends in the economic environment including, but not limited to, wider credit spreads and defaults which affect regulatory capital solvency coverage ratios, liquidity ratios, the valuations of investments and the valuation of best estimate liabilities; and
- adverse fund outflows, policyholder lapse or claims experience.

We considered whether these risks could plausibly affect the solvency and liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the entities financial forecasts.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the Group Solvency and Financial Condition Report for the entities is appropriate; and
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the entities' ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the above conclusions are not a guarantee that the entities will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of directors, the Audit Committee, internal audit, legal, risk and compliance and inspection of policy documentation as to the entities' high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- reading Board, Audit Committee and Risk Committee meeting minutes;
- considering remuneration incentive schemes and performance targets for management and directors, including short term investment and long term investment plan;
- using analytical procedures to identify any usual or unexpected relationships;
- reviewing the audit misstatements from prior period to identify fraud risk factors;
- using our own forensic specialists to assist us in identifying fraud risks based on discussions of the circumstances of the Group; and
- inspecting correspondence with regulators to identify instances or suspected instances of fraud.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit of the Group Solvency and Financial Condition Report.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgments such as the valuation of best estimate liabilities and valuation of investments that require judgment.

We also identified a fraud risk related to:

- the valuation of best estimate liabilities in response to the required significant judgment over uncertain future outcomes, being the ultimate total settlement value of long-term policyholder liabilities; and
- the valuation of investments that require judgment in response to the high degree of estimation uncertainty due to the illiquid positions within the financial investments portfolio and lack of a readily available observable price.

We also performed procedures including:

- identified journal entries and other adjustments to test for all full scope components based on risk criteria and compared the identified entries to supporting documentation. These included those posted by unauthorised personnel and those posted with unusual descriptions;
- evaluated the business purpose of any significant unusual transactions; and
- assessed significant accounting estimates for bias.

Independent Auditor's Report (continued)

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the entities' regulatory and legal correspondence and have discussed with the directors and other management, the policies and procedures regarding compliance with laws and regulations.

As the entities are regulated, our assessment of risks involved gaining an understanding of the control environment including the entities' procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group audit team to component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at Group.

The potential effect of these laws and regulations on the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report varies considerably.

Firstly, the entities are subject to laws and regulations that directly affect the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report, including financial reporting legislation (including related companies legislation), PRA Rules and Solvency II regulations, distributable profits legislation, pensions legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report.

Secondly, the entities are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report, for instance through the imposition of fines or litigation or the loss of the entities' license to operate. We identified the areas of market abuse, financial crime and customer conduct regulations as those most likely to have such an effect, recognising the financial and regulated nature of the entities' activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the Audit Committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit of the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other Information

The directors of the entities are responsible for the Other Information.

Our opinion on the Relevant Elements of the Group Solvency and Financial Condition Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Group Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Relevant Elements of the Group Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Relevant Elements of the Group Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors of the entities for the Group Solvency and Financial Condition Report

The directors of the entities are responsible for the preparation of the Group Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based.

The directors of the entities are also responsible for such internal control as they determine is necessary to enable the preparation of a Group Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error; assessing the entities' ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the entities or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Relevant Elements of the Group Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which it they based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Our objectives are to obtain reasonable assurance about whether the information subject to audit in the Relevant Elements of the Group Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgment of the users taken on the basis of the Relevant Elements of the Group Solvency and Financial Condition Report.

A fuller description of our responsibilities is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities

Other Matter

The entities have authority to calculate the Group and Solo Solvency Capital Requirement using an internal model ("the Model") approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations. In forming our opinion (and in accordance with PRA Rules), we are not required to audit the inputs to, design of, operating effectiveness of and outputs from the Model, or whether the Model is being applied in accordance with the Company's application or approval order.

Report on Other Legal and Regulatory Requirements

Sectoral Information

In our opinion, in accordance with Rule 4.2 of the External Audit Part of the PRA Rulebook for Solvency II firms, the sectoral information has been properly compiled in accordance with the PRA rules and EU instruments relating to that undertaking from information provided by members of the Group and the relevant insurance group undertaking.

Other Information

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the entities' statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The purpose of our audit work and to whom we owe our responsibilities

This report of the external auditor is made solely to the entities' directors, as its governing body, in accordance with the requirement in Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for Solvency II firms and the terms of our engagement. We acknowledge that the directors are required to submit the report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the entities' directors and issued in accordance with the requirement set out in Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for Solvency II firms and to facilitate the discharge by the PRA of its regulatory functions in respect of the entities, conferred on the PRA by or under the Financial Services and Markets Act 2000.

Our audit has been undertaken so that we might state to the entities' directors those matters we are required to state to them in an auditor's report issued pursuant to Rule 4.1 (2) and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the entities through its governing body, for our audit, for this report, or for the opinions we have formed.

Stuart Crisp

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

5 April 2022

Appendix - relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit

Group internal model

The relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of Group template S.02.01.02:
  - Row R0550: Technical provisions - non-life (excluding health) - risk margin
  - Row R0590: Technical provisions - health (similar to non-life) - risk margin
  - Row R0640: Technical provisions - health (similar to life) - risk margin
  - Row R0680: Technical provisions - life (excluding health and index-linked and unit-linked) - risk margin
  - Row R0720: Technical provisions - Index-linked and unit-linked - risk margin

- The following elements of Group template S.22.01.22
  - Column C0030 – Impact of transitional measures on technical provisions
  - Row R0010 – Technical provisions
  - Row R0090 – Solvency Capital Requirement

- The following elements of Group template S.23.01.22
  - Row R0020: Non-available called but not paid in ordinary share capital at group level
  - Row R0060: Non-available subordinated mutual member accounts at group level
  - Row R0080: Non-available surplus at group level
  - Row R0100: Non-available preference shares at group level
  - Row R0120: Non-available share premium account related to preference shares at group level
  - Row R0150: Non-available subordinated liabilities at group level
  - Row R0170: The amount equal to the value of net deferred tax assets not available at the group level
  - Row R0190: Non-available own funds related to other own funds items approved by supervisory authority
  - Row R0210: Non-available minority interests at group level
  - Row R0380: Non-available ancillary own funds at group level
  - Rows R0410 to R0440 – Own funds of other financial sectors
  - Row R0680: Group SCR
  - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
  - Row R0750: Other non-available own funds

- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’.

PAC Solo internal model

The relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of template S.02.01.02:
  - Row R0090: Amount of transitional measure on technical provisions in relation to the technical provisions of Prudential Pensions Limited and the amount of risk margin in relation to the technical provisions of Prudential International Assurance plc and Prudential Pensions Limited
  - 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 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 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 template S.22.01.21
  - Column C0030 – Impact of transitional measures on technical provisions
  - Row R0010 – Technical provisions
  - Row R0090 – Solvency Capital Requirement

- The following elements of 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 template S.28.02.01
  - Row R0310: SCR

- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

PPL Solo internal model

The relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of 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 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 template S.22.01.21
  - Column C0030 – Impact of transitional measures on technical provisions
  - Row R0010 – Technical provisions
  - Row R0090 – Solvency Capital Requirement

- The following elements of 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 template 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&G plc

		Solvency II value
		C0010
	Assets	£000s
R0030	Intangible assets	—
R0040	Deferred tax assets	89,274
R0050	Pension benefit surplus	38,301
R0060	Property, plant & equipment held for own use	333,992
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	153,052,967
R0080	Property (other than for own use)	11,519,154
R0090	Holdings in related undertakings, including participations	42,115,542
R0100	Equities	21,301,828
R0110	Equities - listed	21,245,492
R0120	Equities - unlisted	56,336
R0130	Bonds	61,186,155
R0140	Government Bonds	14,663,536
R0150	Corporate Bonds	43,707,849
R0160	Structured notes	—
R0170	Collateralised securities	2,814,770
R0180	Collective Investments Undertakings	13,020,621
R0190	Derivatives	3,179,380
R0200	Deposits other than cash equivalents	730,288
R0210	Other investments	—
R0220	Assets held for index-linked and unit-linked contracts	17,464,441
R0230	Loans and mortgages	18,644,383
R0240	Loans on policies	1,775
R0250	Loans and mortgages to individuals	1,649,798
R0260	Other loans and mortgages	16,992,810
R0270	Reinsurance recoverables from:	3,047,779
R0280	Non-life and health similar to non-life	127,744
R0290	Non-life excluding health	127,744
R0300	Health similar to non-life	—
R0310	Life and health similar to life, excluding index-linked and unit-linked	982,965
R0320	Health similar to life	(3,777)
R0330	Life excluding health and index-linked and unit-linked	986,742
R0340	Life index-linked and unit-linked	1,937,070
R0350	Deposits to cedants	—
R0360	Insurance and intermediaries receivables	26,742
R0370	Reinsurance receivables	25,939
R0380	Receivables (trade, not insurance)	926,522
R0390	Own shares (held directly)	107,713
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	—
R0410	Cash and cash equivalents	2,115,486
R0420	Any other assets, not elsewhere shown	—
R0500	Total assets	195,873,539

S.02.01.02 Balance Sheet - M&G plc

		Solvency II value
		C0010
	Liabilities	£000s
R0510	Technical provisions - non-life	127,785
R0520	Technical provisions - non-life (excluding health)	127,785
R0530	TP calculated as a whole	—
R0540	Best Estimate	127,785
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)	141,249,129
R0610	Technical provisions - health (similar to life)	232
R0620	TP calculated as a whole	—
R0630	Best Estimate	30
R0640	Risk margin	202
R0650	Technical provisions - life (excluding health and index-linked and unit-linked)	141,248,897
R0660	TP calculated as a whole	—
R0670	Best Estimate	140,145,727
R0680	Risk margin	1,103,170
R0690	Technical provisions - index-linked and unit-linked	19,312,316
R0700	TP calculated as a whole	—
R0710	Best Estimate	19,267,131
R0720	Risk margin	45,185
R0740	Contingent liabilities	—
R0750	Provisions other than technical provisions	47,415
R0760	Pension benefit obligations	49,703
R0770	Deposits from reinsurers	297,932
R0780	Deferred tax liabilities	1,169,719
R0790	Derivatives	2,334,108
R0800	Debts owed to credit institutions	2,881,965
R0810	Financial liabilities other than debts owed to credit institutions	468,144
R0820	Insurance & intermediaries payables	898,308
R0830	Reinsurance payables	46,015
R0840	Payables (trade, not insurance)	3,849,411
R0850	Subordinated liabilities	3,728,108
R0860	*Subordinated liabilities not in BOF*	—
R0870	*Subordinated liabilities in BOF*	3,728,108
R0880	Any other liabilities, not elsewhere shown	—
R0900	Total liabilities	176,460,058

R1000	Excess of assets over liabilities	19,413,481

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				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insura	Fire and other damage to property insura	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	Total
		C0010	C0020	C0030	C0040	C0050	0	0	C0080	C0090	0	C0110	C0120	C0130	C0140	C0150	C0160	C0200
		£000s	£000s	£000s	£000s	£000s	s	s	£000s	£000s	s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
	Premiums written																	
R0110	Business	—	—	—	—	—	—	—	—	—	—	—	—					—
R0120	reinsurance accepted	—	—	—	—	—	—	—	—	—	—	—	—					—
R0130	reinsurance accepted													—	—	—	—	—
R0140	Reinsurers' share	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R0200	Net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Premiums earned																	
R0210	Business	—	—	—	—	—	—	—	—	—	—	—	—					—
R0220	reinsurance accepted	—	—	—	—	—	—	—	—	—	—	—	—					—
R0230	reinsurance accepted													—	—	—	—	—
R0240	Reinsurers' share	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R0300	Net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Claims incurred																	
R0310	Business	—	—	—	1,334	—	—	—	(1,086)	—	—	—	—					—
R0320	reinsurance accepted	—	—	—	—	—	—	—	—	—	—	—	—					—
R0330	reinsurance accepted													—	—	—	—	—
R0340	Reinsurers' share	—	—	—	1,334	—	—	—	(1,086)	—	—	—	—	—	—	—	—	—
R0400	Net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Changes in other technical provisions																	
R0410	Business	—	—	—	—	—	—	—	—	—	—	—	—					—
R0420	reinsurance accepted	—	—	—	—	—	—	—	—	—	—	—	—					—
R0430	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) - M&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
	Premiums written									
R1410	Gross	13,857	4,356,914	1,472,833	193,482	—	—	—	23,108	6,060,194
R1420	Reinsurers' share	(3,919)	(234)	(26,886)	(992,863)	—	—	—	(873)	(1,024,775)
R1500	Net	9,938	4,356,680	1,445,947	(799,381)	—	—	—	22,235	5,035,419
	Premiums earned								—	—
R1510	Gross	13,857	4,356,914	1,472,833	193,482	—	—	—	23,108	6,060,194
R1520	Reinsurers' share	(3,919)	(234)	(26,886)	(992,863)	—	—	—	(873)	(1,024,775)
R1600	Net	9,938	4,356,680	1,445,947	(799,381)	—	—	—	22,235	5,035,419
	Claims incurred								—	—
R1610	Gross	(7,389)	(9,503,612)	(4,077,150)	(2,748,246)	—	—	—	(61,706)	(16,398,103)
R1620	Reinsurers' share	5,035	550	31,642	1,583,050	—	—	—	651	1,620,928
R1700	Net	(2,354)	(9,503,062)	(4,045,508)	(1,165,196)	—	—	—	(61,055)	(14,777,175)
	Changes in other technical provisions								—	—
R1710	Gross	28,762	(1,147,717)	1,288,999	11,325,280	—	—	—	25,820	11,521,144
R1720	Reinsurers' share	(31,817)	—	(38)	(10,053,072)	—	—	—	21	(10,084,906)
R1800	Net	(3,055)	(1,147,717)	1,288,961	1,272,208	—	—	—	25,841	1,436,238
R1900	**Expenses incurred**	(1,916)	(637,418)	(149,778)	(176,487)	—	—	—	(27,525)	(993,124)
R2500	**Other expenses**	—	—	—	—	—	—	—	—	(63,490)
R2600	**Total expenses**	—	—	—	—	—	—	—	—	(1,056,613)

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	160,689,230	2,438,782	—	—	2,429,439
Basic own funds	R0020	14,121,696	(1,047,402)	—	—	(907,485)
Eligible own funds to meet Solvency Capital Requirement	R0050	15,256,854	(1,047,402)	—	—	(907,485)
Solvency Capital Requirement	R0090	9,085,490	337,580	—	—	3,707,335

S.23.01.22 Own Funds - M&G plc

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
		£000s	£000s	£000s	£000s	£000s
Basic own funds before deduction for participations in other financial sector						
Ordinary share capital (gross of own shares)	R0010	129,814	129,814		—	
Non-available called but not paid in ordinary share capital at group level	R0020	—	—		—	
Share premium account related to ordinary share capital	R0030	370,005	370,005		—	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	—	—		—	
Subordinated mutual member accounts	R0050	—		—	—	—
Non-available subordinated mutual member accounts at group level	R0060	—		—	—	—
Surplus funds	R0070	12,335,888	12,335,888			
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	(1,396,234)	(1,396,234)			
Subordinated liabilities	R0140	3,728,108		—	3,728,108	—
Non-available subordinated liabilities at group level	R0150	—		—	—	—
An amount equal to the value of net deferred tax assets	R0160	89,274				89,274
The amount equal to the value of net deferred tax assets not available at the group level	R0170	—				—
Other items approved by supervisory authority as basic own funds not specified above	R0180	—	—	—	—	—
Non available own funds related to other own funds items approved by supervisory authority	R0190	—	—	—	—	—
Minority interests (if not reported as part of a specific own fund item)	R0200	—	—	—	—	—
Non-available minority interests at group level	R0210	—	—	—	—	—
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	—				
Deductions						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230	1,135,159	1,135,159	—	—	—
whereof deducted according to art 228 of the Directive 2009/138/EC	R0240	—	—	—	—	
Deductions for participations where there is non-availability of information (Article 229)	R0250	—	—	—	—	—
Deduction for participations included by using D&A when a combination of methods is used	R0260	—	—	—	—	—

Total of non-available own fund items	R0270	—	—	—	—	—
Total deductions	R0280	1,135,159	1,135,159	—	—	—
Total basic own funds after deductions	R0290	14,121,696	10,304,314	—	3,728,108	89,274
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	—			—	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	—			—	
Unpaid and uncalled preference shares callable on demand	R0320	—			—	—
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	—			—	—
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	—			—	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	—			—	—
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	—			—	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	—			—	—
Non available ancillary own funds at group level	R0380	—			—	—
Other ancillary own funds	R0390	—			—	—
Total ancillary own funds	R0400	—			—	—
Own funds of other financial sectors						
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies – total	R0410	1,044,151	1,044,151	—	—	—
Institutions for occupational retirement provision	R0420	—	—	—	—	—
Non regulated entities carrying out financial activities	R0430	91,008	91,008	—	—	—
Total own funds of other financial sectors	R0440	1,135,159	1,135,159	—	—	—
Own funds when using the D&A, exclusively or in combination of method 1						
Own funds aggregated when using the D&A and combination of method	R0450	—	—	—	—	—
Own funds aggregated when using the D&A and combination of method net of IGT	R0460	—	—	—	—	—
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0520	14,121,696	10,304,314	—	3,728,108	89,274
Total available own funds to meet the minimum consolidated group SCR	R0530	14,032,422	10,304,314	—	3,728,108	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0560	14,121,696	10,304,314	—	3,728,108	89,274
Total eligible own funds to meet the minimum consolidated group SCR	R0570	10,733,953	10,304,314	—	429,639	
Minimum consolidated Group SCR	R0610	2,148,196				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	5.00				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	R0660	15,256,854	11,439,472	—	3,728,108	89,274
Group SCR	R0680	9,085,390				

Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	1.68	
Reconciliation reserve			
Excess of assets over liabilities	R0700	19,413,481	
Own shares (held directly and indirectly)	R0710	107,713	
Foreseeable dividends, distributions and charges	R0720	—	
Other basic own fund items	R0730	12,924,980	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	7,777,022	
Other non available own funds	R0750	—	
Reconciliation reserve	R0760	(1,396,234)	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	R0770	168,281	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	—	
Total Expected profits included in future premiums (EPIFP)	R0790	168,281	

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

Unique number of component	Component description	Calculation of the Solvency Capital Requirement
C0010	C0020	C0030
		£000s
103	Interest rate risk	1,010,872
104	Equity risk	3,463,488
106	Property risk	1,292,060
107	Spread risk	4,389,467
108	Concentration risk	—
109	Currency risk	1,902,994
110	Other market risk	—
199	Diversification within market risk	(4,775,513)
203	Other counterparty risk	162,970
299	Diversification within counterparty risk	—
301	Mortality risk	15,545
302	Longevity risk	3,369,202
303	Disability-morbidity risk	30,970
304	Mass lapse	197,244
305	Other lapse risk	1,496,515
306	Expense risk	1,387,928
308	Life catastrophe risk	23,493
309	Other life underwriting risk	—
399	Diversification within life underwriting risk	(3,656,380)
505	Other non-life underwriting risk	—
599	Diversification within non-life underwriting risk	—
701	Operational risk	1,490,134
801	Other risk	—
802	Loss-absorbing capacity of technical provisions	—
803	Loss-absorbing capacity of deferred tax	(1,208,063)
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	10,592,926
Diversification	R0060	(2,103,673)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	—
Solvency capital requirement excluding capital add-on	R0200	8,489,253
Capital add-ons already set	R0210	—
Solvency capital requirement	R0220	9,085,490
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	(19,379,640)
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	(1,208,063)
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	1,983,780
Total amount of Notional Solvency Capital Requirement for ring fenced funds	R0420	2,078,977
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	4,426,497
Diversification effects due to RFF nSCR aggregation for article 304	R0440	—
Minimum consolidated group solvency capital requirement	R0470	2,148,196
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	596,237
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	529,584
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	66,653
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&G plc

								Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	254900TWUJUQ44TQJY84GB50235	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	254900TWUJUQ44TQJY84KY20131	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	254900TWUJUQ44TQJY84GB20096	Specific Code	BWAT Retail Nominee (1) Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		50%	50%	50%		Significant	50%	Yes		Method 1: Proportional consolidation
GB	254900TWUJUQ44TQJY84GB20097	Specific Code	BWAT Retail Nominee (2) Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		50%	50%	50%		Significant	50%	Yes		Method 1: Proportional consolidation
JE	213800XWJKMTGW5FFF24	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	213800JPPWE5YGH42O41	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	254900TWUJUQ44TQJY84JE20081	Specific Code	Carraway Guildford (Nominee A) Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Full consolidation
JE	254900TWUJUQ44TQJY84JE20082	Specific Code	Carraway Guildford (Nominee B) Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Full consolidation
GB	2138006UA6CYBYSPN279	LEI	Carraway Guildford General Partner Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Full consolidation

JE	549300E91FI43HXEDI41	LEI	Carraway Guildford Investments Unit Trust	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	UT	Non-mutual	100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation
GB	549300ZB0ISLCZDBQ738	LEI	Carraway Guildford Limited Partnership	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP	Non-mutual	100%	100%	50%	Dominant	100%	Yes	Method 1: Full consolidation
GB	549300610NIQNPYNUW41	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	254900TWUJUQ44TQJY84US30046	Specific Code	Centre Capital Non-Qualified Investors IV AIV Orion, L.P.	Other	LP	Non-mutual	67%	67%	67%	Significant	67%	Yes	Method 1: Adjusted equity method
US	254900TWUJUQ44TQJY84US30047	Specific Code	Centre Capital Non-Qualified Investors IV AIV-ELS, L.P.	Other	LP	Non-mutual	88%	88%	88%	Significant	88%	Yes	Method 1: Adjusted equity method
US	254900TWUJUQ44TQJY84US30049	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	254900TWUJUQ44TQJY84US30050	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	254900TWUJUQ44TQJY84US30051	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	254900TWUJUQ44TQJY84JE10016	Specific Code	CJPT Real Estate Inc.	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Inc	Non-mutual	100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation
JE	254900TWUJUQ44TQJY84JE10017	Specific Code	CJPT Real Estate No. 1 Trust	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Trust	Non-mutual	100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation
JE	254900TWUJUQ44TQJY84JE10018	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	254900TWUJUQ44TQJY84GB20098	Specific Code	Cribbs Causeway JV Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual	50%	50%	50%	Significant	50%	Yes	Method 1: Proportional consolidation

GB	254900TWUJUQ44TQJY84GB20099	Specific Code	Cribbs Causeway Merchants Association Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		20%	100%	25%		Significant	100%	Yes		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20086	Specific Code	Cribbs Mall Nominee (1) Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Full consolidation
IE	254900TWUJUQ44TQJY84IE50223	Specific Code	Debt Investments Opportunities IV	Other	DAC	Non-mutual		25%	25%	25%		Significant	25%	Yes		Method 1: Adjusted equity method
GB	254900TWUJUQ44TQJY84GB50143	Specific Code	Digital Infrastructure Investment Partners GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	65%	65%	65%		Dominant	65%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50144	Specific Code	Digital Infrastructure Investment Partners GP1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50145	Specific Code	Digital Infrastructure Investment Partners SLP GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50146	Specific Code	Digital Infrastructure Investment Partners SLP GP1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50147	Specific Code	Digital Infrastructure Investment Partners SLP GP2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
LU	549300IYMZOMGU289Y25	LEI	Eastspring Investments - Asian Local Bond Fund	Other	SICAV-FIS	Non-mutual		97%	97%	97%		Dominant	97%	Yes		Method 1: Adjusted equity method
LU	549300T9BURP81FE3140	LEI	Eastspring Investments - Asian Total Return Bond Fund	Other	SICAV-FIS	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Adjusted equity method
LU	549300H7BXWY84BG9B41	LEI	Eastspring Investments - China Bond Fund	Other	SICAV-FIS	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Adjusted equity method
LU	549300WH17GSWHDDF354	LEI	Eastspring Investments - Global Emerging Markets Customized Equity Fund	Other	SICAV-FIS	Non-mutual		65%	65%	65%		Dominant	65%	Yes		Method 1: Adjusted equity method

LU	549300PRNN1UOMEMAD71	LEI	Eastspring Investments - Global Emerging Markets Dynamic Fund	Other	SICAV-FIS	Non-mutual		58%	58%	58%		Dominant	58%	Yes		Method 1: Adjusted equity method
LU	5493008Y5DKL2XNZ4B15	LEI	Eastspring Investments - Japan Smaller Companies Fund	Other	SICAV-FIS	Non-mutual		65%	65%	65%		Dominant	65%	Yes		Method 1: Adjusted equity method
LU	5493000SLUS5IG5VX635	LEI	Eastspring Investments Asian Bond Fund	Other	SICAV-FIS	Non-mutual		44%	44%	44%		Dominant	44%	Yes		Method 1: Adjusted equity method
LU	254900TWUJUQ44TQJY84LU60016	Specific Code	Eastspring Investments SICAV-FIS Africa Equity Fund	Other	SICAV-FIS	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Adjusted equity method
GB	213800OCGUPJ7PBNHX53	LEI	Edger Investments Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20135	Specific Code	EF IV Schoolhill GP Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Full consolidation
LU	254900TWUJUQ44TQJY84LU50248	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
GB	254900TWUJUQ44TQJY84GB50155	Specific Code	Embankment GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50156	Specific Code	Embankment Nominee 1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50157	Specific Code	Embankment Nominee 2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
KY	254900TWUJUQ44TQJY84KY50226	Specific Code	Episode Inc	Other	LP	Non-mutual		93%	93%	93%		Dominant	93%	Yes		Method 1: Adjusted equity method
GB	213800WR9O2VZ41XUX41	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	254900TWUJUQ44TQJY84US20091	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	549300G2MFQ6ONSJ0W66	LEI	Folios III Designated Activity Company	Other	DAC	Non-mutual		49%	49%	49%	Dominant	49%	Yes	Method 1: Adjusted equity method
IE	549300ZHKEZLWLH2E469	LEI	Folios IV Designated Activity Company	Other	DAC	Non-mutual		66%	66%	66%	Dominant	66%	Yes	Method 1: Adjusted equity method
GB	254900TWUJUQ44TQJY84GB20134	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	254900TWUJUQ44TQJY84GB10015	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	549300KNNBBCZ5TI4093	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	2138007FBAWNLE1HNA54	LEI	Fundsdirect ISA Nominees Limited	Other	Ltd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	213800XQZARYTKRCCL88	LEI	Fundsdirect Nominees Limited	Other	Ltd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	254900TWUJUQ44TQJY84GB50118	Specific Code	Genny GP 1 LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50117	Specific Code	Genny GP 2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50107	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	254900TWUJUQ44TQJY84GB50163	Specific Code	George Digital GP 1 LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50160	Specific Code	George Digital GP 2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules

GB	254900TWUJUQ44TQJY84GB50159	Specific Code	George Digital GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800YQHBRCIZKMPL71	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	254900TWUJUQ44TQJY84GB50148	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	213800XSQZKI3OYTHK77	LEI	Greenpark (Reading) General Partner Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50202	Specific Code	GS R100 GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800J7WLPUU61CJY65	LEI	Harben Finance 2017-1 PLC	Other	PLC	Non-mutual		100%	100%	50%	Dominant	100%	Yes	Method 1: Adjusted equity method
US	254900TWUJUQ44TQJY84US20151	Specific Code	HCR Canary Fund	Other	LP	Non-mutual		99%	99%	99%	Dominant	99%	Yes	Method 1: Adjusted equity method
GB	213800TMTEJ2B9Y8SL32	LEI	IFDL Personal Pensions Limited	Other	Ltd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	254900TWUJUQ44TQJY84GB50133	Specific Code	IGP Realisations I GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50122	Specific Code	Infracapital (AIRI) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50158	Specific Code	Infracapital (Belmond) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50016	Specific Code	Infracapital (Bio) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50187	Specific Code	Infracapital (Churchill) GP 1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50188	Specific Code	Infracapital (Churchill) GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800ORMGBX88UTID14	LEI	Infracapital (GC) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules

GB	254900TWUJUQ44TQJY84GB50189	Specific Code	Infracapital (Gigaclear) GP 1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50190	Specific Code	Infracapital (Gigaclear) GP 2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50191	Specific Code	Infracapital (Gigaclear) GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50119	Specific Code	Infracapital (IT PPP) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50192	Specific Code	Infracapital (Leo) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50208	Specific Code	Infracapital (Novos) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50123	Specific Code	Infracapital (Sense) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800I6MY8I5RZE3H33	LEI	Infracapital (TLSB) GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50126	Specific Code	Infracapital (TLSB) SLP LP	Other	LP	Non-mutual		100%	100%	100%		Dominant	100%	Yes	Method 1: Adjusted equity method
GB	213800RS1K1ALXHQSM37	LEI	Infracapital DF II GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800G4AW9FIOTNDW05	LEI	Infracapital DF II Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800HCVFJDNNWBJV60	LEI	Infracapital Employee Feeder GP 1 LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes	Method 1: Sectoral rules
GB	2138002RFR4BTEF7YU47	LEI	Infracapital Employee Feeder GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800P1OWQBRFI24Y37	LEI	Infracapital F1 GP2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes	Method 1: Sectoral rules
GB	2138001NDC2CXRVBQK60	LEI	Infracapital F2 GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	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	213800W58WB W4ET22C95	LEI	Infracapital GP 2 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	213800MVIYWD QVRLI823	LEI	Infracapital GP 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	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	73%	73%	73%	Dominant	73%	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	254900TWUJUQ 44TQJY84GB50 035	Specific Code	Infracapital Greenfield Partners I GP2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	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%	37%	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	254900TWUJUQ44TQJY84GB50161	Specific Code	Infracapital Greenfield Partners I Subholdings GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
LU	254900TWUJUQ44TQJY84LU50209	Specific Code	Infracapital Greenfield Partners II GP S.à r.l	Credit institution, investment firm and financial institution	Sarl	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50220	Specific Code	Infracapital Greenfield Partners II Subholdings (Euro) GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50221	Specific Code	Infracapital Greenfield Partners II Subholdings (Sterling) GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50210	Specific Code	Infracapital Greenfield Partners II Subholdings GP1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50211	Specific Code	Infracapital Greenfield Partners II Subholdings GP2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	549300Y26HER4GS3N207	LEI	Infracapital Partners II LP	Other	LP	Non-mutual		26%	26%	26%	Dominant	26%	Yes	Method 1: Adjusted equity method
GB	254900TWUJUQ44TQJY84GB50162	Specific Code	Infracapital Partners II Subholdings GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
LU	254900TWUJUQ44TQJY84LU50152	Specific Code	Infracapital Partners III GP S.à r.l	Credit institution, investment firm and financial institution	Sarl	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50193	Specific Code	Infracapital Partners III Subholdings (Euro) GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50194	Specific Code	Infracapital Partners III Subholdings (Sterling) GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50195	Specific Code	Infracapital Partners III Subholdings GP1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50196	Specific Code	Infracapital Partners III Subholdings GP2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	5493007NCUF32CEV5206	LEI	Infracapital Partners LP	Other	LP	Non-mutual		33%	33%	33%	Dominant	33%	Yes	Method 1: Adjusted equity method

GB	254900TWUJUQ44TQJY84GB50041	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	213800DJO6UH75ALMK76	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	213800487VRYDWHTPP07	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	2138007725YD65U15F53	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	213800OYKACAA223KA89	LEI	Invesco Managed Growth Fund (UK)	Other	OEIC	Non-mutual		22%	22%	22%	Significant	22%	Yes	Method 1: Adjusted equity method
GB	213800NMZJ4ZRQQFID11	LEI	Investment Funds Direct Group Limited	Other	Ltd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	213800NZUBPU84ODP247	LEI	Investment Funds Direct Holdings Limited	Other	Ltd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	2138008K7KVOA2SVGD38	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	254900TWUJUQ44TQJY84BM50251	Specific Code	Kiskadee Latitude Fund Limited	Other	Ltd	Non-mutual		95%	95%	95%	Significant	95%	Yes	Method 1: Adjusted equity method
JE	254900TWUJUQ44TQJY84JE20146	Specific Code	Leadenhall Unit Trust	Other	UT	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	549300U1Z88JJD6OW296	LEI	LF Prudential Risk Managed Active 2	Other	OEIC	Non-mutual		24%	24%	24%	Significant	24%	Yes	Method 1: Adjusted equity method
GB	5493006W7LY28KGUSB46	LEI	LF Prudential Risk Managed Active 3	Other	OEIC	Non-mutual		23%	23%	23%	Significant	23%	Yes	Method 1: Adjusted equity method
GB	549300LQFO5UKO80O650	LEI	LF Prudential Risk Managed Active 4	Other	OEIC	Non-mutual		36%	36%	36%	Dominant	36%	Yes	Method 1: Adjusted equity method
GB	549300UI6ET9TLZ65L17	LEI	LF Prudential Risk Managed Active 5	Other	OEIC	Non-mutual		31%	31%	31%	Dominant	31%	Yes	Method 1: Adjusted equity method
GB	5493006Y42NL3VIZDX15	LEI	LF Prudential Risk Managed Passive Fund 1	Other	OEIC	Non-mutual		40%	40%	40%	Dominant	40%	Yes	Method 1: Adjusted equity method
IE	5493006LDY5I4K1U7Y37	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	254900TWUJUQ44TQJY84GB50218	Specific Code	London Green Investments II SLP GP1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50219	Specific Code	London Green Investments II SLP GP2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50222	Specific Code	London Green Investments II SLP1 Employee Feeder GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50212	Specific Code	London Green Investments II SLP2 GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50169	Specific Code	London Stone Investments F3 Employee Feeder GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50170	Specific Code	London Stone Investments F3 I Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50171	Specific Code	London Stone Investments F3 II Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50168	Specific Code	London Stone Investments F3 SP GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GG	213800BKDGDFPWZ9I567	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	2549007K6TQBRKISX148	LEI	M&G (Lux) Emerging Markets Corporate ESG Bond Fund	Credit institution, investment firm and financial institution	SICAV	Non-mutual	Financial Conduct Authority	55%	55%	55%		Dominant	55%	Yes		Method 1: Sectoral rules
LU	254900OTDERZX24Y9K59	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	2549000GWISXVMHE5S26	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	254900VWNGK5PEWW3D62	LEI	M&G (Lux) Global Enhanced Equity Premia Fund	Credit institution, investment firm and financial institution	SICAV	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
LU	254900TWUJUQ44TQJY84LU50249	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	254900TWUJUQ44TQJY84LU50250	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	254900YR0MKY VD5GWK75	LEI	M&G (Lux) Pan European Smaller Comp fund	Other	SICAV	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
LU	2549008T0GIAF 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.ld	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
GB	2549006PLWT3 OTJWPX32	LEI	M&G ACS BlackRock Europe ex UK Equity Fund	Other	ACS	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
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		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	254900OOA1XD SVUR6K20	LEI	M&G ACS BlackRock US Equity Fund	Other	ACS	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	254900PI3TBTF 3ZMF252	LEI	M&G ACS Canada Index Fund	Other	ACS	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	254900OFLZNZ HDM0BQ98	LEI	M&G ACS China Equity Fund	Other	ACS	Non-mutual		98%	98%	98%	Dominant	98%	Yes	Method 1: Adjusted equity method
GB	254900S3QVE6 CT74YF21	LEI	M&G ACS China Fund	Other	ACS	Non-mutual		98%	98%	98%	Dominant	98%	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		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	254900OO23CS 49OGK760	LEI	M&G ACS Japan Equity Fund	Other	ACS	Non-mutual		99%	99%	99%	Dominant	99%	Yes	Method 1: Adjusted equity method
GB	254900LEWBRJ PCXWYE45	LEI	M&G ACS UK 200 Index Fund	Other	ACS	Non-mutual		96%	96%	96%	Dominant	96%	Yes	Method 1: Adjusted equity method
GB	254900YRWHVL MQ27JM51	LEI	M&G ACS UK All Share Index Fund	Other	ACS	Non-mutual		96%	96%	96%	Dominant	96%	Yes	Method 1: Adjusted equity method

GB	254900BIHCKC YLH8R136	LEI	M&G ACS UK Listed Equity Fund	Other	ACS	Non-mutual		96%	96%	96%		Dominant	96%	Yes		Method 1: Adjusted equity method
GB	254900SJP8AEJ WQOHR04	LEI	M&G ACS UK Listed Mid Cap Fund	Other	ACS	Non-mutual		99%	99%	99%		Dominant	99%	Yes		Method 1: Adjusted equity method
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	254900TWUJUQ 44TQJY84LU502 32	Specific Code	M&G Alternatives SCSp-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	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	549300GTB435 DIFOTP40	LEI	M&G Asia Property Fund	Other	SICAV-FIS	Non-mutual		46%	46%	46%		Dominant	46%	Yes		Method 1: Adjusted equity method
GB	25490048UTM1 CRT6MM56	LEI	M&G Better Health Solutions Fund	Other	OEIC	Non-mutual		97%	97%	97%		Dominant	97%	Yes		Method 1: Adjusted equity method
GB	2549003LARJJL 3KL7Z50	LEI	M&G Climate Solutions Fund	Other	OEIC	Non-mutual		59%	59%	59%		Dominant	59%	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 WDKVVOJ54	LEI	M&G Dividend Fund	Other	OEIC	Non-mutual		53%	53%	53%	Dominant	53%	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	98%	98%	98%	Dominant	98%	Yes		Method 1: Sectoral rules
LU	549300FH80NG SGJZ6T14	LEI	M&G European High Yield Credit Investment Fund	Other	Part I UCITS SICAV	Non-mutual		23%	23%	23%	Significant	23%	Yes		Method 1: Adjusted equity method
LU	549300FLN5QW VQGRGQ35	LEI	M&G European Property Fund SICAV-FIS	Other	SICAV-FIS	Non-mutual		36%	36%	36%	Dominant	36%	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		41%	41%	41%	Dominant	41%	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	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		100%	100%	100%		Dominant	100%	Yes		Method 1: Adjusted equity method
GB	254900ISIO65W HHWL536	LEI	M&G Funds (1) Lazard Global Emerging Markets Equity Fund	Other	OEIC	Non-mutual		100%	100%	100%		Dominant	100%	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		88%	88%	88%		Dominant	88%	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 DDJZHX04	LEI	M&G Gilt & Fixed Interest Income Fund	Other	OEIC	Non-mutual		64%	64%	64%		Dominant	64%	Yes		Method 1: Adjusted equity method
GB	549300QWW7Y 8O6HSZO98	LEI	M&G Global High Yield Bond	Other	OEIC	Non-mutual		42%	42%	42%		Dominant	42%	Yes		Method 1: Adjusted equity method
GB	254900IJVXMO 64X82K96	LEI	M&G Global High Yield ESG Bond Fund	Other	OEIC	Non-mutual		42%	42%	42%		Dominant	42%	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	213800OC9AO5 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	254900TWUJUQ44TQJY84GB40021	Specific Code	M&G Group Regulated Entity Holding Company Limited	Insurance holding company as defined in Art. 212(1) [f] of Directive 2009/138/EC	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Full consolidation
GB	213800KJZSL1C19HEC43	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	254900TWUJUQ44TQJY84GB50052	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
LU	254900TWUJUQ44TQJY84LU50141	Specific Code	M&G International Investments S.A.	Credit institution, investment firm and financial institution	SA	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
CH	213800W2WT4VU6ZYLQ18	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	549300441KA9G1F3EG24	LEI	M&G Investment Funds (10) - M&G Positive Impact Fund	Other	OEIC	Non-mutual		28%	28%	28%		Dominant	28%	Yes		Method 1: Adjusted equity method
GB	5493001XMX756I8DDX84	LEI	M&G Investment Funds (4) - M&G Episode Allocation Fund	Other	OEIC	Non-mutual		36%	36%	36%		Dominant	36%	Yes		Method 1: Adjusted equity method
GB	549300T4PWVN5LFO1U25	LEI	M&G Investment Funds (7) - M&G Global Convertibles Fund	Other	OEIC	Non-mutual		63%	63%	63%		Dominant	63%	Yes		Method 1: Adjusted equity method
GB	BFM4HY1ZHOCH3K3E4934	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
ZA	254900TWUJUQ44TQJY84ZA50236	Specific Code	M&G Investment Managers (Pty) 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	254900TWUJUQ44TQJY84US50197	Specific Code	M&G Investments (Americas) Inc.	Credit institution, investment firm and financial institution	Inc	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
AU	254900TWUJUQ44TQJY84AU50198	Specific Code	M&G Investments (Australia) Pty Ltd	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
HK	213800ES49236T3NQN10	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

NA	254900TWUJUQ44TQJY84NA50237	Specific Code	M&G Investments (Namibia) (Pty) Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	75%	75%	75%	Dominant	75%	Yes	Method 1: Sectoral rules
SG	21380025WDEGTPM9NX11	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	254900TWUJUQ44TQJY84US50214	Specific Code	M&G Investments (USA) Inc	Credit institution, investment firm and financial institution	Inc	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
JP	254900TWUJUQ44TQJY84JP50109	Specific Code	M&G Investments Japan Co., Ltd.	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
ZA	254900TWUJUQ44TQJY84ZA50238	Specific Code	M&G Investments Life South Africa (RF) Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
ZA	254900TWUJUQ44TQJY84ZA50239	Specific Code	M&G Investments Southern Africa (Pty) Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	50%	50%	50%	Dominant	50%	Yes	Method 1: Sectoral rules
NA	254900TWUJUQ44TQJY84NA50240	Specific Code	M&G Investments Unit Trusts (Namibia) Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
ZA	254900TWUJUQ44TQJY84ZA50241	Specific Code	M&G Investments Unit Trusts South Africa (RF) 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	549300VL49SAAQZU3D08	LEI	M&G Lux Emerging Markets Bond Fund	Other	SICAV	Non-mutual		61%	61%	61%	Dominant	61%	Yes	Method 1: Adjusted equity method
LU	213800KHFEP1L58PDC25	LEI	M&G Luxembourg S.A.	Credit institution, investment firm and financial institution	SA	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800QNOSWGOPB5UV85	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	213800G466CCYQACXV49	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	254900TWUJUQ44TQJY84GB50177	Specific Code	M&G PFI 2018 GP LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50178	Specific Code	M&G PFI 2018 GP1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules

GB	254900TWUJUQ44TQJY84GB50179	Specific Code	M&G PFI 2018 GP2 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50138	Specific Code	M&G PFI Carry Partnership 2016 LP	Credit institution, investment firm and financial institution	LP	Non-mutual	Financial Conduct Authority	25%	25%	25%		Significant	25%	Yes		Method 1: Sectoral rules
GB	549300MW6PSOJLF67Z41	LEI	M&G PFI Partnership 2018 LP	Other	LP	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Adjusted equity method
GB	213800E1NPBH4KN1B443	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	254900TWUJUQ44TQJY84	LEI	M&G plc	Insurance holding company as defined in Art. 212(1) [f] of Directive 2009/138/EC	Plc	Non-mutual								Yes		Method 1: Full consolidation
GB	549300Y6XORUIOJCN851	LEI	M&G Property Portfolio	Other	OEIC	Non-mutual		87%	87%	87%		Dominant	87%	Yes		Method 1: Adjusted equity method
ES	254900TWUJUQ44TQJY84ES50116	Specific Code	M&G RE Espana, 2016, S.L.	Credit institution, investment firm and financial institution	S.L.	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50201	Specific Code	M&G RE UKEV (GP1) LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50207	Specific Code	M&G RE UKEV 1 Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	549300LJW34WAXTEOA73	LEI	M&G RE UKEV 1-A LP	Other	LP	Non-mutual		50%	50%	100%		Dominant	50%	Yes		Method 1: Adjusted equity method
SG	254900TWUJUQ44TQJY84SG50062	Specific Code	M&G Real Estate Asia Holding Company Pte. Ltd.	Credit institution, investment firm and financial institution	Pte Ltd	Non-mutual	Financial Conduct Authority	67%	67%	67%		Dominant	67%	Yes		Method 1: Sectoral rules
SG	213800FAISWOSU2EQK07	LEI	M&G Real Estate Asia PTE. Ltd.	Credit institution, investment firm and financial institution	Pte Ltd	Non-mutual	Financial Conduct Authority	67%	67%	67%		Dominant	67%	Yes		Method 1: Sectoral rules
LU	213800Z48ASVKSJTGD29	LEI	M&G Real Estate Funds Management S.à r.l.	Credit institution, investment firm and financial institution	Sarl	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
JP	213800VTT28ET4O1PV50	LEI	M&G Real Estate Japan Co., Ltd.	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	67%	67%	67%		Dominant	67%	Yes		Method 1: Sectoral rules
KR	213800ZFUE19ABTOJS32	LEI	M&G Real Estate Korea Co., Ltd.	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	67%	67%	67%		Dominant	67%	Yes		Method 1: Sectoral rules

GB	2138006D2BQB3YVJTC36	LEI	M&G Real Estate Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	549300780507A2BMZB54	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	254900TWUJUQ44TQJY84GB50172	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	213800PIXU3LZHV2BH48	LEI	M&G RED II Employee Feeder GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GG	213800Y7KFRATZJWC561	LEI	M&G RED II GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	2138006PPJJMAIS2CZ55	LEI	M&G RED II SLP GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	2138007GGNZ7CY3HQ568	LEI	M&G RED II SLP LP	Credit institution, investment firm and financial institution	LP	Non-mutual	Financial Conduct Authority	28%	28%	28%	Significant	28%	Yes	Method 1: Sectoral rules
GB	213800IAVVN6BAG5IH60	LEI	M&G RED III Employee Feeder GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GG	2138009UE5XKGEEHPU69	LEI	M&G RED III GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800Q1F9BIQYP4QU18	LEI	M&G RED III SLP GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	2138006NEQ1QFBN5P262	LEI	M&G RED III SLP LP	Credit institution, investment firm and financial institution	LP	Non-mutual	Financial Conduct Authority	25%	25%	25%	Significant	25%	Yes	Method 1: Sectoral rules
GB	213800EJI6R6NCE8OL35	LEI	M&G RPF GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	213800RPN1JJWLQAHF37	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	213800CE63B2HUDSOH12	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	5493001JY2KC4SJGF862	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	254900TWUJUQ44TQJY84LU50200	Specific Code	M&G SFF (CIP GP) Sárl	Credit institution, investment firm and financial institution	Sarl	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
LU	254900TWUJUQ44TQJY84LU50199	Specific Code	M&G SFF (GP) Sárl	Credit institution, investment firm and financial institution	Sarl	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50217	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	254900TWUJUQ44TQJY84GB50216	Specific Code	M&G Shared Ownership LP	Other	LP	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
IE	213800YJG88GK1ZGI781	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
IE	25490069MTXMBQLSZP16	LEI	M&G Sustainable Loan Fund Limited	Other	Ltd	Non-mutual		86%	86%	86%	Dominant	86%	Yes	Method 1: Adjusted equity method
GB	5493004JH8VRBPCP8118	LEI	M&G Sustainable Multi Asset Fund	Other	OEIC	Non-mutual		52%	52%	52%	Dominant	52%	Yes	Method 1: Adjusted equity method
GB	549300QCZ08083QNMD56	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	254900DI96BVBQRI6B31	LEI	M&G UK Mortgage Income Fund	Other	SCSp	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
LU	222100N879GX063S5I68	LEI	M&G UK Property Fund	Other	UT	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	213800YHDS1MJDDQAY31	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	213800YODYXTA14V3G51	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	213800CK6NBVYIQNNG81	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	549300YUFF2S09Z74W50	LEI	M&G UK Residential Property Fund	Other	LP	Non-mutual		26%	26%	100%	Dominant	26%	Yes	Method 1: Adjusted equity method
GB	254900TWUJUQ44TQJY84GB50215	Specific Code	M&G UK Shared Ownership Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules

GB	213800B18GD1VUW66137	LEI	M&G UKCF II GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50175	Specific Code	M&G UKEV (SLP) General Partner LLP	Credit institution, investment firm and financial institution	LLP	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50174	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	213800CIQKFH6G68V891	LEI	M&G Wealth Advice Limited	Other	Ltd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	254900TWUJUQ44TQJY84GB20101	Specific Code	Manchester JV Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		50%	50%	50%	Significant	50%	Yes	Method 1: Proportional consolidation
GB	254900TWUJUQ44TQJY84GB20087	Specific Code	Manchester Nominee (1) Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation
IT	81560033DE8557604E62	LEI	MCF S.r.l.	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Srl	Non-mutual		45%	100%	45%	Dominant	100%	Yes	Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20122	Specific Code	Minster Court Estate Management Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		56%	100%	56%	Dominant	100%	Yes	Method 1: Full consolidation
US	549300YWLHYEHTWMO231	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	254900TWUJUQ44TQJY84KY50252	Specific Code	NB Gemini Fund LP	Other	LP	Non-mutual		99%	99%	99%	Dominant	99%	Yes	Method 1: Adjusted equity method
GB	254900TWUJUQ44TQJY84GB20102	Specific Code	Oaktree Business Park Limited	Other	Ltd	Non-mutual		14%	14%	100%	Dominant	14%	Yes	Method 1: Adjusted equity method
US	254900TWUJUQ44TQJY84US20092	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	254900TWUJUQ44TQJY84GB20103	Specific Code	Optimus Point Management Company Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		52%	100%	52%	Dominant	100%	Yes	Method 1: Full consolidation
GB	213800NMT7KIZI54UZ47	LEI	Pacus (UK) Limited	Other	Ltd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
AU	2138004GW3J6VILQSE49	LEI	PAP Trustee Pty Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Pty Ltd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation
GB	549300E6K3IFR1YO2242	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	254900TWUJUQ44TQJY84IE50121	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	254900TWUJUQ44TQJY84US30033	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	254900TWUJUQ44TQJY84US30034	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	254900TWUJUQ44TQJY84US30036	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	254900TWUJUQ44TQJY84US30060	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	254900TWUJUQ44TQJY84US30079	Specific Code	PPM America Private Equity Fund VII LP	Other	LP	Non-mutual		46%	46%	46%	Significant	46%	Yes	Method 1: Adjusted equity method
GB	213800IJ1DJ1A8SPRW13	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	2138008EIWH2HN5RNH61	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	213800KK1VVI7BVEUZ22	LEI	PPM Managers Partnership CI VII (A) LP	Credit institution, investment firm and financial institution	LP	Non-mutual	Financial Conduct Authority	25%	25%	25%	Significant	25%	Yes	Method 1: Sectoral rules
HK	213800XHPOMVNJNNRG37	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	254900TWUJUQ44TQJY84GB20110	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	549300ZWWMEMEK21F447	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	254900TWUJUQ44TQJY84GB40020	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	254900TWUJUQ44TQJY84GB40024	Specific Code	Prudence Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Full consolidation
GB	213800CPRC1XNAIMP376	LEI	Prudential / M&G UKCF GP Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
SG	549300MWP9XNST2HB451	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	549300GLZGEGEQY0TJ64	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	CHW8NHK268SFPTV63Z64	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	254900TWUJUQ44TQJY84GB20115	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	254900TWUJUQ44TQJY84LU20068	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	222100OZLFOO9GBVZU58	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	254900TWUJUQ44TQJY84LU50105	Specific Code	Prudential Credit Opportunities GP S.a.r.l	Credit institution, investment firm and financial institution	Sarl	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
LU	254900X2R2M2HU17U040	LEI	Prudential Credit Opportunities SCSp	Other	SCSp	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	549300I8LYOK91HBX439	LEI	Prudential Distribution Limited	Other	Ltd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	2138008TOJ3P2FHS5Y69	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	254900TWUJUQ44TQJY84GB40023	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	21380029W1QO8XLI7X06	LEI	Prudential Financial Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation
GB	213800Y2L3QQS5JAGC68	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	21380059C3DLSM1MGQ63	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	213800JN6JCW3GKS5413	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	21380032Y83D1GVVRG14	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	549300DN2BTJ8BY6XW35	LEI	Prudential Greenfield LP	Other	LP	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method

GB	213800KXAX5G69OQTW74	LEI	Prudential Greenfield 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	2138009YMR1CEO641146	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	635400T4W5MRQTBLGQ38	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	635400Y2PVABVU9VWJ83	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	222100Z2QC2TIK1L4G32	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	5493001GSK4HF84IOB02	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	222100DYHNYVU5OHZ592	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	254900TWUJUQ44TQJY84LU50140	Specific Code	Prudential Loan Investments GP S.a.r.l	Credit institution, investment firm and financial institution	Sarl	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
LU	222100I72T0C6YY58X29	LEI	Prudential Loan Investments SCSp	Other	SCSp	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
GB	549300CWGK2ZW5YDGJ27	LEI	Prudential Pensions Limited	Life insurance undertaking	Ltd	Non-mutual	Prudential Regulation Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation
PL	213800LX1ZMH6DNFQ324	LEI	Prudential Polska sp. z.o.o	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	zoo	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation
GB	213800IIA1AW1VRTPK64	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

ZA	254900TWUJUQ44TQJY84ZA50095	Specific Code	Prudential Portfolio Managers (South Africa) (Pty) Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	50%	50%	50%		Significant	50%	Yes		Method 1: Sectoral rules
ZA	254900TWUJUQ44TQJY84ZA50246	Specific Code	Prudential Portfolio Managers Life Nominees (Pty) Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
ZA	254900TWUJUQ44TQJY84ZA50247	Specific Code	Prudential Portfolio Managers Nominees (Pty) 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	213800SM1K55IRFQEA45	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	2138001KLYON8RC5KU34	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	2138008ZHAM1AWMXDI41	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	21380036PITSKICBM891	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	213800DMFHM9TUERL898	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	254900TWUJUQ44TQJY84GB40010	Specific Code	Prudential Staff Pensions Limited	Other	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Adjusted equity method
GB	213800N48QE66BJB2G59	LEI	Prudential Trustee 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	254900TWUJUQ44TQJY84GB20117	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	254900TWUJUQ44TQJY84GB20116	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	254900TWUJUQ44TQJY84GB20119	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	254900TWUJUQ44TQJY84GB20120	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	2138006YAP8436IV7P84	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	549300VDPV8QUEZVO116	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	213800M6IQ53UGCHF876	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	213800IOOJ2UW73HST28	LEI	PVM Partnerships Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes	Method 1: Full consolidation
US	254900TWUJUQ44TQJY84US20093	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
LU	254900TWUJUQ44TQJY84LU20136	Specific Code	Schoolhill Sarl	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Sarl	Non-mutual		100%	100%	100%		Dominant	100%	Yes	Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20010	Specific Code	ScotAm Pension Trustees Limited	Other	Ltd	Non-mutual		100%	100%	100%		Significant	100%	Yes	Method 1: Adjusted equity method
GB	213800E2SWPCDVDKVT10	LEI	Scottish Amicable Finance Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes	Method 1: Full consolidation

GB	254900TWUJUQ44TQJY84GB20113	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	254900TWUJUQ44TQJY84GB50176	Specific Code	Selly Oak Shopping Park (General Partner) Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%	Dominant	100%	Yes	Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB50180	Specific Code	Selly Oak Shopping Park (Nominee 1) Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB50181	Specific Code	Selly Oak Shopping Park (Nominee 2) Limited	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%	Dominant	100%	Yes	Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB20133	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%	100%	Dominant	100%	Yes	Method 1: Full consolidation
GG	254900TWUJUQ44TQJY84GG20059	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	254900TWUJUQ44TQJY84GG20064	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	254900TWUJUQ44TQJY84GG20066	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	254900TWUJUQ44TQJY84GG20132	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	254900TWUJUQ44TQJY84KY20150	Specific Code	SKY Fund I LP	Other	LP	Non-mutual		99%	99%	99%	Significant	99%	Yes	Method 1: Adjusted equity method
KY	254900TWUJUQ44TQJY84KY50228	Specific Code	Sky Fund V Onshore LP	Other	LP	Non-mutual		90%	90%	90%	Dominant	90%	Yes	Method 1: Adjusted equity method
KY	254900TWUJUQ44TQJY84KY20152	Specific Code	SKY I Intermediate LP	Other	LP	Non-mutual		50%	50%	50%	Significant	50%	Yes	Method 1: Adjusted equity method

US	549300BEJIZZ5 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
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	100%	100%	100%		Dominant	100%	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	100%	100%	100%		Dominant	100%	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	100%	100%	100%		Dominant	100%	Yes	Method 1: Sectoral rules
GG	549300FEFNTK M50NRC34	LEI	The Car Auction Unit Trust	Other	UT	Non-mutual		49%	49%	49%		Dominant	49%	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	254900TWUJUQ44TQJY84GB20139	Specific Code	Vanquish Properties GP Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20141	Specific Code	Vanquish Properties GP Nominee 1 Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20142	Specific Code	Vanquish Properties GP Nominee 2 Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20143	Specific Code	Vanquish Properties GP Nominee 3 Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20144	Specific Code	Vanquish Properties GP Nominee 4 Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20140	Specific Code	Vanquish Properties GP Nominee A Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Full consolidation
GB	254900TWUJUQ44TQJY84GB20138	Specific Code	Vanquish Properties LP Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Full consolidation
IT	254900TWUJUQ44TQJY84IT50227	Specific Code	Via Lodovisco	Credit institution, investment firm and financial institution	Ltd	Non-mutual	Financial Conduct Authority	100%	100%	100%		Dominant	100%	Yes		Method 1: Sectoral rules
GB	254900TWUJUQ44TQJY84GB20091	Specific Code	Wessex Gate Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Ltd	Non-mutual		100%	100%	100%		Dominant	100%	Yes		Method 1: Full consolidation
GB	54930075E6IA5W0H5S09	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	254900TWUJUQ44TQJY84US20149	Specific Code	WFH Investments LLC	Other	LLC	Non-mutual		50%	50%	50%		Dominant	50%	Yes		Method 1: Adjusted equity method

GB	2138002KV6WLPKHJHM45	LEI	Wrap IFA Services Limited	Other	Ltd	Non-mutual	100%	100%	100%	Dominant	100%	Yes	Method 1: Adjusted equity method
US	254900TWUJUQ44TQJY84US30068	Specific Code	Wynnefield Private Equity Partners II, L.P.	Other	LP	Non-mutual	99%	99%	99%	Dominant	99%	Yes	Method 1: Adjusted equity method

S.02.01.02 Balance Sheet - PAC

All amounts are in £'000

		Solvency II value
	Assets	C0010
R0030	Intangible assets	—
R0040	Deferred tax assets	—
R0050	Pension benefit surplus	26,810
R0060	Property, plant & equipment held for own use	8,527
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	149,622,051
R0080	Property (other than for own use)	8,098,988
R0090	Holdings in related undertakings, including participations	44,679,527
R0100	Equities	21,301,678
R0110	Equities - listed	21,245,492
R0120	Equities - unlisted	56,186
R0130	Bonds	61,040,057
R0140	Government Bonds	14,517,513
R0150	Corporate Bonds	43,707,773
R0160	Structured notes	—
R0170	Collateralised securities	2,814,770
R0180	Collective Investments Undertakings	10,670,185
R0190	Derivatives	3,179,229
R0200	Deposits other than cash equivalents	652,388
R0210	Other investments	—
R0220	Assets held for index-linked and unit-linked contracts	7,209,750
R0230	Loans and mortgages	18,595,783
R0240	Loans on policies	1,775
R0250	Loans and mortgages to individuals	1,649,798
R0260	Other loans and mortgages	16,944,210
R0270	Reinsurance recoverables from:	6,795,167
R0280	Non-life and health similar to non-life	127,744
R0290	Non-life excluding health	127,744
R0300	Health similar to non-life	—
R0310	Life and health similar to life, excluding index-linked and unit-linked	984,689
R0320	Health similar to life	(3,777)
R0330	Life excluding health and index-linked and unit-linked	988,465
R0340	Life index-linked and unit-linked	5,682,735
R0350	Deposits to cedants	—
R0360	Insurance and intermediaries receivables	24,344
R0370	Reinsurance receivables	62,012
R0380	Receivables (trade, not insurance)	2,024,240
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	1,382,395
R0420	Any other assets, not elsewhere shown	—
R0500	**Total assets**	185,751,079

S.02.01.02 Balance Sheet - PAC

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	127,785
R0520	Technical provisions - non-life (excluding health)	127,785
R0530	TP calculated as a whole	—
R0540	Best Estimate	127,785
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)	141,405,751
R0610	Technical provisions - health (similar to life)	232
R0620	TP calculated as a whole	—
R0630	Best Estimate	30
R0640	Risk margin	202
R0650	Technical provisions - life (excluding health and index-linked and unit-linked)	141,405,519
R0660	TP calculated as a whole	—
R0670	Best Estimate	140,361,086
R0680	Risk margin	1,044,433
R0690	Technical provisions - index-linked and unit-linked	12,848,130
R0700	TP calculated as a whole	—
R0710	Best Estimate	12,833,138
R0720	Risk margin	14,993
R0740	Contingent liabilities	—
R0750	Provisions other than technical provisions	26,928
R0760	Pension benefit obligations	49,703
R0770	Deposits from reinsurers	297,932
R0780	Deferred tax liabilities	970,213
R0790	Derivatives	2,334,108
R0800	Debts owed to credit institutions	2,777,398
R0810	Financial liabilities other than debts owed to credit institutions	40,622
R0820	Insurance & intermediaries payables	781,384
R0830	Reinsurance payables	44,242
R0840	Payables (trade, not insurance)	4,108,557
R0850	Subordinated liabilities	—
R0860	*Subordinated liabilities not in BOF*	—
R0870	*Subordinated liabilities in BOF*	—
R0880	Any other liabilities, not elsewhere shown	—
R0900	**Total liabilities**	**165,812,753**
R1000	**Excess of assets over liabilities**	**19,938,326**

S.05.01.02 Premiums, claims and expenses by line of business - 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	13,857	3,833,494	410,145	177,768				536,714	4,971,979
R1420	Reinsurers' share	3,919	234	260,688	989,675				873	1,255,389
R1500	Net	9,938	3,833,260	149,457	(811,907)				535,841	3,716,590
	Premiums earned									
R1510	Gross	13,857	3,833,494	410,145	177,768				536,714	4,971,979
R1520	Reinsurers' share	3,919	234	260,688	989,675				873	1,255,389
R1600	Net	9,938	3,833,260	149,457	(811,907)				535,841	3,716,590
	Claims incurred									
R1610	Gross	7,389	8,994,735	1,928,445	2,741,861				574,626	14,247,056
R1620	Reinsurers' share	5,035	550	913,588	1,581,428				651	2,501,251
R1700	Net	2,354	8,994,185	1,014,858	1,160,433				573,975	11,745,805
	Changes in other technical provisions									
R1710	Gross	28,762	(706,051)	348,826	11,195,864				(354,821)	10,512,579
R1720	Reinsurers' share	31,817	—	195,875	10,053,073				1,508	10,282,272
R1800	Net	(3,055)	(706,051)	152,951	1,142,792				(356,329)	230,307
R1900	Expenses incurred	1,916	571,473	118,300	166,729				27,525	885,941
R2500	Other expenses									63,490
R2600	Total expenses									949,432

S.05.01.02 Premiums, claims and expenses by line of business

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				1,334				-1,086							
R0320	Gross - Proportional reinsurance accepted															
R0330	Gross - Non-proportional reinsurance accepted															
R0340	Reinsurers' share				1,334				-1,086							
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.05.02.01

Premiums, claims and expenses by Country

Life

		Total Countries	Germany	United Kingdom	Guernsey	Ireland	Isle of Man	Jersey	Poland
	Premiums written								
R1410	Gross	4,971,979	23,108	4,431,554	993	462,540	1,083	1,635	51,066
R1420	Reinsurers' share	1,255,389	—	1,254,515	—	—	—	1	873
R1500	Net	3,716,590	23,108	3,177,039	993	462,540	1,083	1,634	50,193
	Premiums earned								
R1510	Gross	4,971,979	23,108	4,431,554	993	462,540	1,083	1,635	51,066
R1520	Reinsurers' share	1,255,389	—	1,254,515	—	—	—	1	873
R1600	Net	3,716,590	23,108	3,177,039	993	462,540	1,083	1,634	50,193
	Claims incurred								
R1610	Gross	14,247,056	20,936	13,700,847	6,413	503,589	5,930	6,911	2,431
R1620	Reinsurers' share	2,501,251	—	2,500,600	—	—	—	—	651
R1700	Net	11,745,805	20,936	11,200,247	6,413	503,589	5,930	6,911	1,780
	Changes in other technical provisions								
R1710	Gross	10,512,579	25,820	10,874,572	—	(368,109)	—	—	(19,704)
R1720	Reinsurers' share	10,282,272	—	10,282,238	—	—	—	—	35
R1800	Net	230,307	25,820	592,334	—	(368,109)	—	—	(19,738)
R1900	Expenses incurred	885,941	—	858,408	—	—	—	8	27,525

S.12.01.02 Life and Health SLT Technical Provisions - PAC

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	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)
				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	—	—			—			—	—	—	—			—	—	—
	Best estimate																
R0030	Gross Best Estimate	106,414,16		12,385,15	447,979		15,928,67	10,235,52	—	7,782,718	153,194,22		5,801	(5,772)	—	—	30
R0080	Total Recoverables from reinsurance/ SPV and Finite Re after the adjustment for expected losses due	—		5,682,750	(16)		468,118	521,643	—	(1,296)	6,671,200		(2,737)	(1,040)	—	—	(3,777)
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	106,414,16		6,702,408	447,995		15,460,56	9,713,884	—	7,784,014	146,523,02		8,538	(4,732)	—	—	3,806
R0100	Risk margin	981,233	74,419			2,382,006			—	52,255	3,489,914	202			—	—	202
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole	—	—			—			—	—	—	—			—	—	—
R0120	Best estimate	—		—	—		—	—	—	—	—		—	—	—	—	—
R0130	Risk margin	(651,900)	(59,427)			(1,681,427			—	(37,735)	(2,430,488)	—			—	—	—
R0200	Technical provisions - total	106,743,4	12,848,13			26,864,78			—	7,797,239	154,253,64	232			—	—	232

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				
		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	Total Non-Life obligation
		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				18,244				109,541					127,785
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				18,237				109,507					127,744
R0250	Net Best Estimate of Claims Provisions				7				34					41
R0260	Total best estimate - gross				18,244				109,541					127,785
R0270	Total best estimate - net				7				34					41
R0280	Risk margin				0				0					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				18,244				109,541					127,785
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total				18,237				109,507					127,744
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total				7				34					41

S.19.01.21 Non-Life insurance claims - PAC

Unaudited

All amounts are in £'000

Z0010	Accident year / underwriting year	2

Gross Claims Paid (non-cumulative) (absolute amount)

	Year	C0010 —	C0020 1	C0030 2	C0040 3	C0050 4	C0060 5	C0070 6	C0080 7	C0090 8	C0100 9	C0110 10 & +	C0170 In Current year	C0180 (cumulative)
R0100	Prior											4,329	4,329	4,329
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 1	C0220 2	C0230 3	C0240 4	C0250 5	C0260 6	C0270 7	C0280 8	C0290 9	C0300 10 & +	C0360 (discounted
R0100	Prior											127,785	112,231
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
		C0010	C0030	C0050	C0070	C0090
R0010	Technical provisions	154,381,666	2,430,488	—	—	2,429,439
R0020	Basic own funds	12,161,304	(1,047,402)	—	—	(907,485)
R0050	Eligible own funds to meet Solvency Capital Requirement	12,161,304	(1,047,402)	—	—	(907,485)
R0090	Solvency Capital Requirement	8,295,730	337,580	—	—	3,707,335
R0100	Eligible own funds to meet Minimum Capital Requirement	12,161,304	(1,047,402)	—	—	(907,485)
R0110	Minimum Capital Requirement	2,073,933	84,395	—	—	926,834

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	12,335,881	12,335,881			
R0090	Preference shares	—		—	—	—
R0110	Share premium account related to preference shares	—		—	—	—
R0130	Reconciliation reserve	(504,095)	(504,095)			
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	—	—	—	—	—
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	—	—	—	—	
R0290	**Total basic own funds after deductions**	12,161,304	12,161,304	—	—	—
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**	—			—	—
R0500	Total available own funds to meet the SCR	12,161,304	12,161,304	—	—	—
R0510	Total available own funds to meet the MCR	12,161,304	12,161,304	—	—	
R0540	Total eligible own funds to meet the SCR	12,161,304	12,161,304	—	—	—
R0550	**Total eligible own funds to meet the MCR**	12,161,304	12,161,304	—	—	

R0580	SCR	8,295,730
R0600	MCR	2,073,933
R0620	Ratio of Eligible own funds to SCR	147 %
R0640	Ratio of Eligible own funds to MCR	586 %
		C0060

R0700	Excess of assets over liabilities	19,938,326
R0710	Own shares (held directly and indirectly)	—
R0720	Foreseeable dividends, distributions and charges	—
R0730	Other basic own fund items	12,665,398
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	7,777,022
R0760	**Reconciliation reserve**	(504,095)
R0770	Expected profits included in future premiums (EPIFP) - Life business	81,885
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	—
R0790	**Total Expected profits included in future premiums (EPIFP)**	81,885

S.25.03.21 Solvency Capital Requirement - 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	1,011,404
2	104	Equity risk	3,461,248
3	106	Property risk	1,247,823
4	107	Spread risk	4,391,912
5	108	Concentration risk	—
6	109	Currency risk	1,903,661
7	110	Other market risk	—
8	199	Diversification within market risk	(4,765,519)
9	203	Other counterparty risk	125,672
10	301	Mortality risk	15,555
11	302	Longevity risk	3,370,678
12	303	Disability-morbidity risk	30,991
13	304	Mass lapse	197,380
14	305	Other lapse risk	1,496,676
15	306	Expense risk	1,388,281
16	308	Life catastrophe risk	23,501
17	309	Other life underwriting risk	—
18	399	Diversification within life underwriting risk	(3,607,409)
19	505	Other non-life underwriting risk	—
20	701	Operational risk	1,380,772
21	801	Other risks	—
22	802	Loss-absorbing capacity of technical provisions	—
23	803	Loss-absorbing capacity of deferred taxes	(1,306,763)
24	804	Other adjustments	—

S.25.03.21 Solvency Capital Requirement - PAC

– *for undertakings on full internal models*

Unaudited

All amounts are in £'000

	Calculation of Solvency Capital Requirement	C0100
R0110	Total undiversified components	10,365,863
R0060	Diversification	(2,070,133)
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	—
R0200	Solvency capital requirement excluding capital add-on	8,295,730
R0210	Capital add-ons already set	—
R0220	Solvency capital requirement	8,295,730
	Other information on SCR	
R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	(19,379,640)
R0310	Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	(1,306,763)
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	1,790,257
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	2,078,977
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	4,426,497
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	(1,306,763)
R0650	Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	(975,781)
R0660	Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	(284,836)
R0670	Amount/estimate of AC DT justified by carry back, current year	(46,145)
R0680	Amount/estimate of LAC DT justified by carry back, future years	—
R0690	Amount/estimate of Maximum LAC DT	(583,201)

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
		MCR(NL,NL) Result	MCR(NL,L) Result
		C0010	C0020
R0010	**Linear formula component for non-life insurance and reinsurance obligations**	4	—

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
R0020	Medical expense insurance and	—	—	—	—
R0030	Income protection insurance and	—	—	—	—
R0040	Workers' compensation insurance and	—	—	—	—
R0050	Motor vehicle liability insurance and	7	—	—	—
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	34	—	—	—
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
		C0070	C0080
R0200	**Linear formula component for life**	—	(2,772,184)

		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
		C0090	C0100	C0110	C0120
R0210	Obligations with profit participation -	—		28,385,664	
R0220	Obligations with profit participation -	—		85,129,614	
R0230	Index-linked and unit-linked insurance	—		7,150,403	
R0240	Other life (re)insurance and health	—		25,861,148	
R0250	Total capital at risk for all life (re)insurance		—		15,927,115

		C0130
	Overall MCR calculation	
R0300	Linear MCR	(2,772,180)
R0310	SCR	8,295,730
R0320	MCR cap	3,733,079
R0330	MCR floor	2,073,933
R0340	Combined MCR	2,073,933
R0350	Absolute floor of the MCR	3,126
R0400	Minimum Capital Requirement	2,073,933

		C0140	C0150
	Notional non-life and life MCR calculation		
R0500	Notional linear MCR	4	(2,772,184)
R0510	Notional SCR excluding add-on (annual or	(12)	8,295,743
R0520	Notional MCR cap	(6)	3,733,084
R0530	Notional MCR floor	(3)	2,073,936
R0540	Notional combined MCR	(6)	2,073,936
R0550	Absolute floor of the notional MCR	3,126	3,126
R0560	Notional MCR	3,126	2,073,936

S.02.01.02 Balance Sheet - PPL

All amounts are in £'000

		Solvency II value
	Assets	C0010
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)	23,826
R0080	*Property (other than for own use)*	—
R0090	*Holdings in related undertakings, including participations*	—
R0100	*Equities*	—
R0110	*Equities - listed*	—
R0120	*Equities - unlisted*	—
R0130	*Bonds*	23,826
R0140	*Government Bonds*	23,826
R0150	*Corporate Bonds*	—
R0160	*Structured notes*	—
R0170	*Collateralised securities*	—
R0180	*Collective Investments Undertakings*	—
R0190	*Derivatives*	—
R0200	*Deposits other than cash equivalents*	—
R0210	*Other investments*	—
R0220	Assets held for index-linked and unit-linked contracts	8,088,464
R0230	Loans and mortgages	73,600
R0240	*Loans on policies*	—
R0250	*Loans and mortgages to individuals*	—
R0260	*Other loans and mortgages*	73,600
R0270	Reinsurance recoverables from:	1,827,159
R0280	*Non-life and health similar to non-life*	—
R0290	*Non-life excluding health*	—
R0300	*Health similar to non-life*	—
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	43,534
R0320	*Health similar to life*	—
R0330	*Life excluding health and index-linked and unit-linked*	43,534
R0340	*Life index-linked and unit-linked*	1,783,625
R0350	Deposits to cedants	—
R0360	Insurance and intermediaries receivables	—
R0370	Reinsurance receivables	—
R0380	Receivables (trade, not insurance)	51,072
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	11,761
R0420	Any other assets, not elsewhere shown	—
R0500	**Total assets**	**10,075,882**

S.02.01.02 Balance Sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	—
R0520	*Technical provisions - non-life (excluding health)*	—
R0530	*TP calculated as a whole*	—
R0540	*Best Estimate*	—
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)	43,780
R0610	*Technical provisions - health (similar to life)*	—
R0620	*TP calculated as a whole*	—
R0630	*Best Estimate*	—
R0640	*Risk margin*	—
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	43,780
R0660	*TP calculated as a whole*	—
R0670	*Best Estimate*	43,780
R0680	*Risk margin*	1
R0690	Technical provisions - index-linked and unit-linked	9,869,655
R0700	*TP calculated as a whole*	—
R0710	*Best Estimate*	9,852,950
R0720	*Risk margin*	16,705
R0740	Contingent liabilities	—
R0750	Provisions other than technical provisions	—
R0760	Pension benefit obligations	—
R0770	Deposits from reinsurers	—
R0780	Deferred tax liabilities	787
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	40,826
R0840	Payables (trade, not insurance)	43,537
R0850	Subordinated liabilities	—
R0860	*Subordinated liabilities not in BOF*	—
R0870	*Subordinated liabilities in BOF*	—
R0880	Any other liabilities, not elsewhere shown	—
R0900	**Total liabilities**	**9,998,585**
R1000	**Excess of assets over liabilities**	**77,297**

S.05.01.02 Premiums claims and expenses by line of business - 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
	Premiums written									
R1410	*Gross*	0	0	916,231	0			0	253,506	1,169,737
R1420	*Reinsurers' share*	0	0	0	0			0	0	0
R1500	*Net*	0	0	916,231	0			0	253,506	1,169,737
	Premiums earned									
R1510	*Gross*	0	0	916,231	0			0	253,506	1,169,737
R1520	*Reinsurers' share*	0	0	0	0			0	0	0
R1600	*Net*	0	0	916,231	0			0	253,506	1,169,737
	Claims incurred									
R1610	*Gross*	0	0	2,017,684	4,172			0	895,657	2,917,513
R1620	*Reinsurers' share*	0	0	0	4,172			0	0	4,172
R1700	*Net*	0	0	2,017,684	0			0	895,657	2,913,340
	Changes in other technical provisions									
R1710	*Gross*	0	0	1,099,799	6,900			0	195,627	1,302,326
R1720	*Reinsurers' share*	0	0	0	6,900			0	0	6,900
R1800	*Net*	0	0	1,099,799	0			0	195,627	1,295,426
R1900	**Expenses incurred**	0	0	26,479	0			0	0	26,479
R2500	**Other expenses**									0
R2600	**Total expenses**									26,479

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																
	Best estimate																
R0030	Gross Best Estimate	—		4,374,820	585		18,820	24,960	—	5,477,544	9,896,729		—	—	—	—	—
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	—		—	—		18,664	24,870	—	1,783,625	1,827,159		—	—	—	—	—
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	—		4,374,820	585		156	90	—	3,693,919	8,069,570		—	—	—	—	—
R0100	Risk margin	—	13,555			1			—	11,444	25,000	—			—	—	—
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole	—	—			—			—	—	—	—			—	—	—
R0120	Best estimate	—		—	—		—	—	—	—	—		—	—	—	—	—
R0130	Risk margin	—	(4,497)			—			—	(3,797)	(8,294)	—			—	—	—
R0200	Technical provisions - total	—	4,384,463			43,781			—	5,485,192	9,913,435	—			—	—	—

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	9,913,435	8,294	—	—	—
R0020	Basic own funds	77,297	(6,287)	—	—	—
R0050	Eligible own funds to meet Solvency Capital Requirement	77,297	(6,287)	—	—	—
R0090	Solvency Capital Requirement	44,604	1,673	—	—	—
R0100	Eligible own funds to meet Minimum Capital Requirement	77,297	(6,287)	—	—	—
R0110	Minimum Capital Requirement	20,072	753	—	—	—

S.23.01.01 Own Funds - PPL - All amounts are in £'000

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	6,000	6,000		—	
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	71,297	71,297			
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	0				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	0	0	0	0	0
R0290	Total basic own funds after deductions	77,297	77,297	0	0	0
	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	—			—	0
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	—			—	0
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	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	77,297	77,297	—	—	0
R0510	Total available own funds to meet the MCR	77,297	77,297	—	—	
R0540	Total eligible own funds to meet the SCR	77,297	77,297	—	—	0
R0550	Total eligible own funds to meet the MCR	77,297	77,297	0	0	
R0580	SCR	44,604				
R0600	MCR	20,072				
R0620	Ratio of Eligible own funds to SCR	173 %				
R0640	Ratio of Eligible own funds to MCR	385 %				
	Reconcilliation reserve	C0060				
R0700	Excess of assets over liabilities	77,297				
R0710	Own shares (held directly and indirectly)	—				
R0720	Foreseeable dividends, distributions and charges	—				
R0730	Other basic own fund items	6,000				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	—				
R0760	Reconciliation reserve	71,297				
	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)	0				

S.25.03.21 Solvency Capital Requirement - for undertakings on Full Internal Models - PPL

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement
Row	C0010	C0020	C0030
1	103	Interest rate risk	4,335
2	104	Equity risk	16,207
3	106	Property risk	1,320
4	107	Spread risk	12,329
5	108	Concentration risk	—
6	109	Currency risk	6,237
7	110	Other market risk	—
8	199	Diversification within market risk	(11,397)
9	203	Other counterparty risk	165
10	301	Mortality risk	—
11	302	Longevity risk	—
12	303	Disability-morbidity risk	—
13	304	Mass lapse	4,328
14	305	Other lapse risk	5,413
15	306	Expense risk	51,099
16	308	Life catastrophe risk	52
17	309	Other life underwriting risk	—
18	399	Diversification within life underwriting risk	(42,362)
19	505	Other non-life underwriting risk	—
20	701	Operational risk	19,065
21	801	Other risks	—
22	802	Loss-absorbing capacity of technical provisions	—
23	803	Loss-absorbing capacity of deferred taxes	(4,783)
24	804	Other adjustments	—

S.25.03.21 - Solvency Capital Requirement - for undertakings on Full Internal Models - PPL

		C0100
	Calculation of Solvency Capital Requirement	
R0110	Total undiversified components	62,011
R0060	Diversification	(17,408)
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	—
R0200	**Solvency capital requirement excluding capital add-on**	44,604
R0210	Capital add-ons already set	—
R0220	**Solvency capital requirement**	44,604
	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 ot deferred taxes	(4,783)
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	44,604
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	—

		C0109
	Approach to tax rate	
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	(4,783)
R0650	Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	(1,897)
R0660	Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	(2,561)
R0670	Amount/estimate of AC DT justified by carry back, current year	(326)
R0680	Amount/estimate of LAC DT justified by carry back, future years	—
R0690	Amount/estimate of Maximum LAC DT	(12,259)

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	56,506

		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	8,069,324	
R0240	Other life (re)insurance and health (re)insurance obligations	246	
R0250	Total capital at risk for all life (re)insurance obligations		21,993

	Overall MCR calculation	C0130
R0300	Linear MCR	56,506
R0310	SCR	44,604
R0320	MCR cap	20,072
R0330	MCR floor	11,151
R0340	Combined MCR	20,072
R0350	Absolute floor of the MCR	3,126
R0400	Minimum Capital Requirement	20,072

	Notional non-life and life MCR calculation	C0150
R0500	Notional linear MCR	56,506
R0510	Notional SCR excluding add-on (annual or latest calculation)	44,604
R0520	Notional MCR cap	20,072
R0530	Notional MCR floor	11,151
R0540	Notional combined MCR	20,072
R0550	Absolute floor of the notional MCR	3,126
R0560	Notional MCR	20,072