

Principles & Practices of Financial Management

(Applicable to PruFund UK with-profits policies issued by
or reinsured into The Prudential Assurance Company Limited)

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A note on terminology

In this document, where we refer to 'policy' or 'policyholder', this is equivalent to 'plan' or 'plan holder'. And where we refer to 'the shareholder', this could be multiple shareholders.

Introduction

A Purpose of the PPFM

In managing with-profits business, firms rely on their ability to use discretion, particularly in relation to the investment strategy adopted, and the smoothing and bonus policies used. The purpose of The Prudential Assurance Company Limited (PAC)'s Principles and Practices of Financial Management (PPFM) document is to give a knowledgeable observer (e.g. a financial adviser) an understanding of the material risks and rewards from starting and continuing an investment in a with-profits policy with PAC.

This includes:

- explaining the nature and extent of the discretion available
- and detailing how competing or conflicting interests or expectations of
 - different groups and generations of policyholders
 - and policyholders and the shareholder,are managed so that policyholders and the shareholder are treated fairly.

PAC is committed to providing open and honest communications and as a firm we believe that the PPFM will help with that aim.

- The PPFM covers all with-profits policies investing in PruFund issued in the UK by companies in M&G plc (i.e. by PAC and Prudential International Assurance plc (PIA)).

While PAC's PPFM applies primarily to UK business, broadly similar principles and practices generally apply to overseas business transferred or reinsured into PAC, including:

- PIA Poland PruFund business written from 2021, which is reinsured into PAC
- business written in the United Arab Emirates (UAE), reinsured into PAC by Zurich Insurance Life Limited
- and offshore and/or cross-border PruFund business reinsured into PAC by PIA.

More detail on the other non-PruFund business in the With-Profits Fund is included in the full PPFM which is available at pru.co.uk/ppfm.

To fully understand the risks and rewards of effecting or holding a PAC with-profits policy, the reader should read this document in conjunction with product literature and should read the whole PPFM and not just selected sections. In particular, Principles should be read with their associated Practices (see section B below). However, the PPFM is not a comprehensive explanation either of the management of the with-profits business of PAC or of every matter which may affect that business.

None of the contents of this document forms part of, or varies, the terms or conditions of any policy issued by any relevant member of M&G plc. In the event of any inconsistency between the contents of this document and any policy, the terms and conditions of the policy prevail.

Statements within the PPFM are by their nature forward-looking statements that are subject to a variety of uncertainties; this document should be read in that context. In addition, no part of the document should be read as a recommendation to policyholders or potential policyholders or their advisers in relation to effecting or maintaining a with-profits policy. Accordingly, we would typically recommend that any person considering whether to effect or maintain a with-profits policy with any member of M&G plc should seek financial advice.

B Principles and Practices

In the PPFM we define the Principles and Practices used in managing PAC's UK with-profits business.

- The Principles define the overarching standards adopted in managing PAC's with-profits business to maintain the long-term solvency of the fund for current and future policyholders and describe the approach used:
 - in meeting our duty to with-profits policyholders
 - and in responding to longer-term changes in the business and economic environment.

The Practices describe the approach used:

- in managing PAC's with-profits business
- and in responding to changes in the business and economic environment in the shorter-term.

The contents of the PPFM are normally reviewed at least annually. The contents of the PPFM may be amended following such a review, either as the circumstances of M&G plc change or business or economic environments alter, or to reflect new product launches, or to reflect changes in the management of the with-profits business. Any proposed changes are reviewed by PAC's With-Profits Committee (WPC) (details of which are given in section H of this document) and are subject to approval by the PAC Board (the Board). PAC will retain a record of each version of its PPFM for five years as per the requirements set out in the Financial Conduct Authority's (FCA's) Conduct Of Business Sourcebook (COBS).

In normal circumstances we would expect to give affected policyholders written notice at least 3 months in advance of the effective date of any material change to the Principles. There may be circumstances when changes will be made without notice with the agreement of our regulators, the FCA and Prudential Regulatory Authority (PRA), or their successors.

We expect our Practices to be revised from time to time as both circumstances and the business environment change. We will notify affected policyholders in a reasonable period after the effective date of any such change, generally in the policyholder's next annual statement and a summary of the changes will be made available at pru.co.uk/ppfm

More information on how the PPFM applies to a particular product can be found in the product specific customer guides. These can be found at pru.co.uk/ppfm

C Structure of M&G plc

C1 Company structure

The ultimate parent company of PAC is M&G plc. M&G plc also owns, directly or indirectly, various investment management companies including M&G Investments and M&G Real Estate. A large part of PAC's assets are managed by these companies.

C2 Structure of PAC

PAC's principal activities are with-profits and non-profit life and pensions insurance business. For with-profits business, there are two sub-funds, the With-Profits Sub-Fund (WPSF) & the Defined Charge Participating Sub-Fund (DCPSF) described in paragraphs C2.1 and C2.2, which are collectively referred to as the With-Profits Fund (WPF) throughout this document. PAC also conducts some general insurance business outside the WPF.

PAC's life and pensions business is transacted mainly in the UK and is predominantly with-profits.

With-profits business is written in the With-Profits Fund, and consists of with-profits policies that share in the amount of profit available for distribution. The distributable profit may be shared between with-profits policyholders or between with-profits policyholders and the shareholder. The profit available to share, known as the divisible profit, is determined each year in accordance with the company's Articles of Association. The constituents of the divisible profit and the proportion attributable to policyholders may vary by product type; the proportion attributable to policyholders in the With-Profits Sub-Fund (see

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

This diagram does not indicate relative sizes.

paragraph C2.1 below) may be varied by the company over time. The With-Profits Fund is divided into sub-funds to facilitate the management of the various risk-bearing and profit-sharing arrangements that apply.

The profits (if any) available to policyholders and/or the shareholder varies between the sub-funds as described below.

C2.1 With-Profits Sub-Fund (WPSF)

The With-Profits Sub-Fund (WPSF) consists mainly of with-profits business, which is/was written by:

- PAC, both Ordinary Branch (OB) and Industrial Branch (IB)
- SAL, and transferred into PAC
- PANL, and transferred into PAC
- and SALAS, and transferred into PAC.

The WPSF also contains a significant amount of non-profit business, which consists of:

- non-profit annuity business that has arisen from with-profits pension policies that were originally written in the WPSF
- non-profit immediate and deferred annuities originally written by Prudential Annuities Limited (PAL) and transferred into the WPSF
- other non-profit (including unit-linked) business written by PAC that is not allocated by the Board to the Non-Profit Sub-Fund (see paragraph C2.3 below)
- and non-profit life business and unit-linked life business originally written by SALAS.

The WPSF contains the PAC Inherited Estate ("the Estate"). This is the amount of money in the sub-fund in excess of that which the Board expects to be paid out to meet obligations to existing policyholders (see sections E and F of this document). The business written by PAC's Polish and Maltese branches that was transferred into PIA and business written by PIA Poland are all treated on equal terms with PAC's UK business in relation to the support they receive from the Estate.

The divisible profit arising in the WPSF, including profit that arises on the non-profit business, is divided between with-profits policyholders and the shareholder

(as noted above, the constituents of the divisible profit to policyholders may vary by product). PAC's Articles of Association permit up to 5% of the divisible profit to be transferred to a contingency fund before the balance is divided between policyholders and the shareholder. The proportion of divisible profit attributable to with-profits policyholders in the WPSF is defined by the Articles of Association as being at least 90%, with the balance (if any) attributable to the shareholder. For some policies, this means the WPSF operates on a "90:10" basis, and for others it operates on a basis of giving a higher profit share to policyholders, which may be up to 100% (with 0% attributed to the shareholder). Policies where 100% of the profits go to policyholders are described as "100:0". The shareholder does not receive any of the divisible profits shared with former SALAS policyholders (i.e. the former SALAS business is "100:0").

C2.2 Defined Charge Participating Sub-Fund (DCPSF)

The Defined Charge Participating Sub-Fund (DCPSF) consists of two types of business.

The first type of business is the accumulated investment content of premiums paid (i.e. the accumulation of premiums less explicit charges) in respect of the Defined Charge Participating business, which is either:

- reinsured into PAC from PIA or other companies
- or written through PAC's French branch (between 1 January 2001 and 31 December 2003), which was transferred from PAC to PIA on 1 January 2019 and reinsured back to PAC.

This business is defined as with-profits business on which policyholders incur only the charges stated explicitly in the policy (which include an annual management charge on the assets held within the DCPSF). The charges on the reinsured PIA business accrue to PIA, which bears all of the corresponding expenses. The charges on the PAC France Branch business accrue to the Non-Profit Sub-Fund (NPSF), which bears all of the corresponding expenses. Hence, the shareholder receives any profits or losses arising from the difference between the charges and expenses on this business.

Bonus smoothing accounts for business reinsured in from PIA, and for business written by the French branch, are maintained in the Estate within the WPSF. These bonus smoothing accounts are credited or debited as appropriate with any difference between claim payments made from the DCPSF and the relevant policies' underlying asset shares. Separate bonus smoothing accounts are maintained for PIA products invested in the PruFund Range of Funds as described in paragraph 1.3.2.4. It is intended that these smoothing transfers should generate no net gain to either sub-fund over the long term.

The second type of business in the DCPSF is the with-profits annuities business transferred from The Equitable Life Assurance Society (ELAS) on 31 December 2007. This business is covered in the main PPFM.

The profit in the DCPSF arises solely from investment performance and is entirely attributable to DCPSF policyholders (i.e. the DCPSF is a "100:0" sub-fund). DCPSF policyholders have no interest in the WPSF's Estate other than through the normal process of smoothing and meeting guarantees in adverse investment conditions. Therefore DCPSF policyholders have no interest in any possible distribution or reattribution of the Estate.

C2.3 Non-Profit Sub-Fund (NPSF)

The NPSF consists of such non-profit and unit-linked business as has been explicitly allocated to this sub-fund by the Board.

All the profit of the NPSF is attributable to the shareholder (i.e. the NPSF is a "0:100" sub-fund).

C3 Information about relevant companies (other than PAC)

C3.1 Scottish Amicable Life plc (SAL)

SAL was a wholly owned subsidiary of PAC until it was liquidated in 2011. SAL wrote unit-linked, non-profit and with-profits business from 1 October 1997 until 31 December 2002. At 31 December 2002, its business was transferred into the NPSF with the with-profits element allocated to the WPSF. Except where SAL-specific statements are made, all references in this PPFM to WPSF with-profits business apply to the transferred SAL with-profits business.

C3.2 Prudential (AN) Limited (PANL)

PANL was a wholly owned subsidiary of PAC until it was liquidated in 2012. PANL wrote new with-profits life business from 10 December 2002 to 11 August 2004 and wrote unit-linked pensions business until 31 October 2010. At 31 October 2010 its with-profits business was transferred into the WPSF and its non-profit business was transferred into the NPSF. Prior to the transfer, its with-profits business was wholly reinsured to the WPSF and its policies shared in the divisible profits of the WPSF alongside PAC policies. All references in this PPFM to the WPSF business also apply to the transferred PANL with-profits business.

C3.3 Prudential International Assurance plc (PIA)

PIA is a wholly owned subsidiary of PAC. PIA has transacted Defined Charge Participating business since March 2002. In addition, on 1 January 2019 PIA accepted the business originally written by PAC's branches in Poland, Malta and France and the former ELAS business, that had been originally written in Germany and Ireland which was transferred from ELAS to PAC on 31 December 2007. From 1 January 2019, PIA has also written business through a branch in Poland. All of PIA's with-profits policies are reinsured into PAC. The with-profits business written by the PAC and PIA branches in Poland and the PAC Malta branch are reinsured into the WPSF, while the ELAS business is reinsured into the DCPSF. For the business written in PAC France and the Defined Charge Participating business written directly by PIA, the investment content is reinsured into the DCPSF. For the Defined Charge Participating business written directly by PIA (including those policies written in Germany which were transferred to Canada Life Assurance (Europe) Ltd (CLE) with effect from 1 January 2003), PIA and CLE pay an annual charge to the Estate within the WPSF for the use of the economic capital supporting this business.

C3.4 Prudential Annuities Limited (PAL)

Prior to 1 October 2014, the WPSF owned PAL, a subsidiary company writing non-profit annuity business. PAL was established in 1992, but closed to new business in July 2004. The long-term insurance business of PAL was transferred to the WPSF on 1 October 2014.

C3.5 Scottish Amicable Life Assurance Society (SALAS)

The long-term business of SALAS was transferred to PAC in 1997 under the terms of the SALAS Court Scheme. Compliance with the SALAS Court scheme is reviewed each year and this is reported in PAC's Annual Report to With-Profits Policyholders (mandg.com/dam/pru/shared/documents/en/wpqb10005.pdf).

All references in this PPFM to WPSF with-profits business also apply to the transferred SALAS with-profits business.

D With-profits policyholders' profit sharing

PruFund policyholders receive their fair share of divisible profits by means of an increase in the unit price at the Expected Growth Rate applicable to the selected fund, subject to adjustments when the unit price moves outside of specified limits.

E Conduct of Business Sourcebook (COBS) and Consumer Duty

The operation of with-profits business is regulated by the rules and guidance set out in Chapter 20 of the Conduct of Business Sourcebook (COBS) of the FCA Handbook (formerly the Financial Services Authority (FSA) Handbook). With effect from 1 April 2012, the FSA (our regulator at that time) made certain changes to the rules and guidance set out in Chapter 20 of COBS in relation to protecting with-profits policyholders. PAC sought clarification from the FSA following these changes and received Individual Guidance in relation to the factors it is required to take account of on two specific issues:

- the writing of new business
- and setting the risk appetite of its With-Profits Fund.

Following handover from the FSA to the FCA, the FCA confirmed during 2013 that the Individual Guidance previously issued by the FSA remained valid.

On the first issue of factors relevant to the writing of new business, the FSA confirmed that PAC is not generally constrained in its use of the Estate to support the writing

of new business by any requirement to take into account the prospect that existing policyholders may otherwise have of receiving a distribution, or a greater distribution, from the Estate. The FSA, however, identified the following as constraints on the use of an inherited estate by a with-profits firm such as PAC:

- writing new business that is priced on terms that are unlikely to allow the products to be self-supporting over their duration
- writing new business that at the time it is written is self-supporting but will not foreseeably be sold in sufficient quantities, such that the economic value of the future margins expected to emerge is not enough to cover the costs incurred in acquiring the business
- and writing new business in volumes that increase at such a rapid rate that in the long term it has an adverse effect on a firm's financial strength.

In applying the above constraints on the use of an inherited estate for writing new business, the FSA noted that a proprietary with-profits fund such as PAC's is not required to take account of the tax liability arising on transfers to the shareholder from the fund. The FSA further clarified that new business is not required to be self-supporting in the period temporarily following a material change in the business environment that is outside of a firm's control.

On the second issue, the FSA confirmed that in setting risk appetite and determining its approach to the cost of guarantees for its With-Profits Fund, PAC is generally not required to take into account the prospect of existing policyholders receiving a distribution out of the Estate. However, the FSA identified the following factors as relevant to the setting of a with-profits fund's risk appetite in this context:

- risk appetite should be understood to mean a firm's long term target position for the strength of its with-profits fund, underpinning its bonus and investment policy, which in conjunction with its available working capital, defines its ability to take risk from time to time

- the risk appetite of a with-profits fund such as PAC's has to have regard not only to the financial strength of the fund, but also to representations that have been made by a firm to policyholders
- whilst there is no requirement to take account of any interest of policyholders in a distribution of excess surplus when setting the risk appetite of a with-profits fund such as PAC's, a firm should not deliberately set or change its approach to risk appetite in order to prevent the emergence of excess surplus
- and if a policy contains a guarantee, the pricing of the product should make proper allowance at the time it is written for the foreseeable cost of the guarantee(s).

Taking into account the Individual Guidance received from the FSA referred to above, PAC believes that its With-Profits Fund complies with the rules and guidance in Chapter 20 of COBS. PAC will therefore interpret the COBS rules and guidance, and operate the With-Profits Fund, having regard to the Individual Guidance. The comments made in sections F and G below take into account the Individual Guidance, and the discussions that accompanied it.

The FCA's Consumer Duty applies to all open and closed products. It requires firms to:

- act in good faith
- avoid foreseeable harm
- and support retail customers in achieving good outcomes

The principles and practices set out in this PPFM reflect and support our aim to ensure good customer outcomes, and take into account the Consumer Duty.

F Policyholder and shareholder interests in the With-Profits Sub Fund (WPSF)

PAC is, and always has been, a proprietary company, and the whole of the WPSF is legally and beneficially owned by PAC.

PAC's WPSF includes an Estate. This is the amount of money in the sub-fund in excess of that which PAC expects to pay out to meet its obligations to existing policyholders.

The Estate represents the major part of the working capital of the WPSF. It is available to support both current and future new business in PAC's with-profits sub-funds and is used to provide solvency support, to allow investment freedom for policyholders' asset shares, and to provide the smoothing and guarantees associated with with-profits business. The Board seeks to manage the Estate so that it continues to provide adequate working capital for the future security and ongoing solvency of PAC's with-profits business. There is no specific target for the size of the Estate.

Whilst the WPSF remains open and the Estate remains fully utilised in supporting current and expected future new business, PAC believes that policyholders' reasonable expectations, and the fair treatment of policyholders, requires the following:

- Policyholders should receive benefits in line with net asset values (as defined in section 1) after the application of smoothing, or guaranteed benefits if higher.
- PAC should seek to manage its with-profits business in such a way as to maintain a strong enough Estate in the WPSF to help protect the security of policyholders' contractual benefits, and to allow the continuation of investment freedom, smoothing and the meeting of guarantees. It should be noted that, although PAC seeks to maintain a strong Estate through the prudent management of the risks that it takes on, a reduction in the size of the Estate as a proportion of the WPSF could nevertheless occur, for example as a result of adverse market conditions.

In the circumstances where the Estate is fully utilised in supporting current and expected future new business, PAC does not consider that policyholders have any expectation of a distribution of the Estate, other than through the normal process of smoothing (as applicable to the product) and meeting guarantees in adverse

conditions, for example following a reduction in the value of assets. In addition, and as is set out in more detail in sections 5 and 6, in such circumstances PAC is not:

- required to take into account in setting risk appetite, and in its approach to the costs of guarantees, the prospect of existing policyholders receiving a distribution out of the Estate
- or constrained in the use of the Estate to support the writing of new business by a requirement to take into account the prospect that existing policyholders might otherwise have of receiving a distribution, or a greater distribution, from the Estate.

The approach taken by PAC in relation to conflicts of interest between policyholders and the shareholder in relation to the management of the Estate is described in section 7.

The WPSF exists for the purpose of writing new with-profits business, and managing the risks inherent in this business for the benefit of both policyholders and the shareholder. On this basis, PAC continues to write new with-profits business, and to manage the associated risks within the With-Profits Fund, providing that the Board is satisfied that the new business is properly priced, the risks are properly managed, and the new business is likely to have no adverse impact on the reasonable benefit expectations of the company's in-force policyholders.

G Risk management of PAC

In managing risk, the Board is responsible for:

- determining the company's risk appetite which, in conjunction with the available working capital, determines the company's risk capacity from time to time
- determining the financial management framework within which the overall risk level of the company is managed, having regard to that risk capacity
- and managing the overall risk level of the company and the With-Profits Fund, including its sub-funds, having regard to that risk capacity and the financial management framework.

The WPSF's risk appetite defines the range of acceptable levels for the sub-fund's financial strength, and, together with the financial management framework, underpins how PAC manages its with-profits business, including setting bonus and investment policy (as described in sections 1 and 2) and the maximum limits, if any, which may be placed on new business volumes (as described in section 6). The risk appetite and financial management framework therefore provide the context within which decisions in relation to the management of PAC's with-profits business, including those which may involve conflicts of interest between policyholders and the shareholder, are taken. Since, as discussed in section C, the DCPSF relies on the WPSF's Estate for capital support, decisions taken by the Board regarding the WPSF's risk appetite, risk capacity and risk level may affect all of PAC's with-profits policyholders.

The WPSF's risk appetite is set having regard to policyholders' reasonable expectations, based on PAC's policy documents, marketing information and other relevant materials. As noted in section F, whilst the WPSF remains open and the Estate continues to be fully utilised in supporting current and expected future new business, PAC does not consider policyholders' reasonable expectations to extend to any expectation of a distribution of the Estate, other than through the normal process of smoothing benefits (as applicable to the product) and meeting guarantees in adverse investment conditions. Consequently, when setting the WPSF's risk appetite, PAC is not required to take into account the prospect of existing policyholders receiving a distribution out of the Estate. Although the firm's risk appetite is not set having regard to policyholders' contingent interest in any possible distribution, or greater distribution, of the Estate, neither is it set so as to deliberately prevent any possibility of such a distribution being made.

The WPSF's risk appetite may be amended in response to significant changes in the company's long-term financial strength or business environment (such as following a change in the WPSF's regulatory solvency requirements). However, the Board would consider with-profits policyholders' reasonable expectations at the time of making any change.

Further details of the risks to which with-profits business is exposed, and the management of risks, are provided in various sections of the PPFM as follows:

- The overall risk level of the With-Profits Fund reflects both investment risk and business risks, which are described in sections 2 and 3 respectively.
- The level of investment-related risk for all business depends on the extent to which the future asset and liability cash flows may differ, including the extent to which the capital value of assets may differ from the value of the underlying policy guarantees when those assets are realised to pay policy benefits.
- The risk capacity of the WPF depends on the amount of working capital available, which is provided primarily by the Estate as described in section 5.
- The amount of working capital required is affected by the type and volume of new business written, as described in section 6.

A key risk for the With Profits Fund results from poor investment performance on assets held to back liabilities which incorporate guarantees. This is particularly heightened where a high proportion of real assets (e.g. equities and property) are held to back guaranteed liabilities (as is the case for the basic sums assured and the accumulated regular bonus additions on traditional with-profits policies). For Credit Matched With-Profits (CMWP) business this risk is limited as the assets backing the guaranteed liabilities follow a closely matched investment strategy, however the Estate remains exposed to residual credit-related risks, which are allowed for within the pricing of the business.

As discussed in section 5, the Estate provides capital support for both UK and overseas business, and the risk level of the WPSF thus reflects the aggregate risk level of all of the sub-funds' with-profits business (including business reinsured into the funds). The Board seeks to ensure the fair treatment of policyholders in each territory, including that:

- the business written in each territory is subject to the same controls on the maximum level of risk

- and an appropriate proportion of the Estate (which will generally be held in the UK) is denominated in the same currency as the relevant liabilities arising in any territory outside of the UK.

H Governance arrangements for with-profits business

In addition to its other responsibilities, the Board is responsible for the management of the company's with-profits business, including investment and bonus distribution policy.

In line with industry-wide regulatory requirements, the Board has appointed:

- A **Chief Actuary** who provides the Board with certain actuarial advice, and fulfils various statutory duties as required by financial regulations.
- A **With-Profits Actuary**, who reviews material relevant to the operation of the with-profits business, with the specific duty to advise the Board on the reasonableness of how discretion has been exercised in applying the PPFM and how any conflicting interests have been addressed.
- A **With-Profits Committee (WPC)**, comprising at least three members, the majority of whom must be independent of PAC, which provides an independent assessment of the way in which PAC manages its with-profits business and how PAC balances the rights and interests of policyholders and the shareholder in relation to its With-Profits Fund. The WPC terms of reference can be found at pru.co.uk/pdf/PRUAG01216.pdf

PAC prepares an annual report to with-profits policyholders setting out how it has complied with the PPFM. This report, which is available on request and at pru.co.uk/ppfm, includes details of how discretion has been exercised, how any conflicts of interest between different groups or generations of policyholders, or between policyholders and the shareholder, have been addressed. It also includes a report from the With-Profits Actuary which states whether he or she considers that the report and the discretion exercised by the company in the year may be regarded as taking policyholders' interests into account in a reasonable and proportionate manner.

The WPC has the duty to report to the Board, providing an assessment of compliance with the PPFM and how any conflicting rights have been addressed. If the WPC wishes to make a statement to with-profits policyholders in addition to the company's report described above, the company will make that report available.

I Responsible investment and sustainability in the With-Profits Fund (WPF)

As an asset owner, PAC does not engage directly with investee companies on stewardship and sustainability issues. However, M&G plc's Life Investment Office takes strategic decisions about the kind of investments the With-Profits Fund makes for the long term, and how long term risks like climate change should be approached, and it expects and instructs its asset managers to engage on its behalf in accordance with its stewardship and sustainability-related policies.

As part of M&G plc, PAC is committed to achieving net zero carbon emissions by 2050 across its investments, which include the With-Profits Fund, in line with the UK Government's targets to help limit global warming and the Paris Agreement on Climate Change. This includes interim targets on climate-related company engagement, transitioning of underlying assets, and on reducing financed carbon emissions, across public equities, public corporate debt, and direct real estate, as detailed in M&G's Climate Transition Plan.

Further information on the latest policies, disclosures and commitments that PAC has made on stewardship and sustainability can be found at mandgplc.com/sustainability/responsible-investing/prudential-assurance-company

PAC's parent company, M&G plc, is committed to embedding sustainability considerations throughout its business, including a commitment to achieve net zero carbon emissions for its own operations by 2050 at the latest.

Further information on M&G plc's approach to sustainability, and progress towards its targets, can be found at mandg.com/sustainability

Principles and Practices of Financial Management

Section 1 – Determining with-profits policy values

1.1 Introduction

1.1.1 This section sets out the Principles and Practices we use to work out the pay-out values:

- the methods we use to work out the amount to pay to with-profits policyholders
- the approach we take when we set Expected Growth Rates for PruFund business
- and the approach we take for PruFund when the unit price moves outwith specified limits.

1.2 Principles

1.2.1 The company seeks to treat all with-profits policyholders fairly. We aim to provide:

- pay-out values on death or maturity that are fair between different policy types and different generations of policyholder,
- and pay-out values on surrender, transfer or retirement (other than at the selected retirement date) that are also fair between those policyholders leaving and those remaining in the sub-fund.

The company aims:

- to give each with-profits policyholder a return on the premiums paid reflecting the return on the underlying investments over the time the policyholder has held the policy, smoothing the peaks and troughs of investment performance,
- and to ensure that with-profits policyholders in each sub-fund receive a fair share of the profits distributed from that sub-fund to their policies.

1.2.2 To retain flexibility in our investment policy and to protect the With-Profits Fund, for most types of traditional with-profits and PruFund products we aim to keep a substantial proportion of pay-out values in non-guaranteed form (i.e. payable as final bonus) and determine regular bonus rates accordingly.

1.2.3 We set pay-out values by reference to the earnings of the underlying investments, except where guaranteed minimum benefits increase the total amount payable.

1.2.4 Our intention is that smoothing profits and losses should balance out over time, so that in the long run with-profits policyholders in each sub-fund, or within a product group with a specific bonus smoothing account, neither gain nor lose as a result of our smoothing policy. The cumulative cost of smoothing profits and losses is monitored via different bonus smoothing accounts. The short-term cost of smoothing is constrained only by the impact that smoothing costs have on the risk level of the sub-fund and hence on the security and reasonable benefit expectations of continuing policyholders.

1.2.5 Any change to the company's objectives and the methods used to achieve them, or any material change to the historical assumptions or parameters relevant to those methods (for example, previously applied investment returns, charges, or allocations of miscellaneous surplus), will be made as and when they are considered to be appropriate and compatible with treating customers fairly, and only with the approval of the Board.

1.3 Practices

1.3.1 Pay-out values

1.3.1.1 The pay-out value for PruFund policies is the product of the number of units held and the unit price, less any deductions specified in the policy conditions, as at the date of the transaction. The unit price (before charges) changes on a daily basis at the relevant Expected Growth Rates (EGR) unless the unit price moves outside specified limits (see below). EGRs are annualised rates which are set quarterly by the Board, having regard to the investment returns expected to be earned on the assets of the funds over the long-term.

The difference between the unit price and the net asset value per unit is monitored and is adjusted in the following manner:

- On or between investment dates if the net asset value per unit and the 5 working day rolling average net asset value per unit are outside the daily smoothing limit, the unit price is adjusted so that it is within a defined gap (referred to as the gap after adjustment in policy literature).
- In addition on an investment date if the net asset value per unit is above or below the monthly/quarterly smoothing limit the unit price is repeatedly increased/ decreased by half of the difference until the difference is within the monthly/quarterly smoothing limit.

Each PruFund has its own daily smoothing limit, monthly/ quarterly smoothing limit and gap after adjustment. These are detailed in policy conditions.

Switches, transfers and withdrawals

Any cancellation of units as a result of switches, transfers or withdrawals from the PruFund Range of Funds may be subject to a delay of up to 28 days from the date of receipt of a request to cancel units. The unit price on the final day of the delayed period will be used as the price of the units for these purposes.

Unit Price Adjustments

As mentioned above if the unit price moves outside specified limits as detailed in the policy conditions a unit price adjustment will be applied. Additional unit price enhancements may be applied to eligible PruFund funds if the Board determines that there is an excess surplus in the WPSF as described in paragraph 5.3.2.

1.3.1.2

The company may reset the unit price of a fund to protect the With-Profits Fund, and the interests of all our with-profits policyholders. In this situation the unit price would be adjusted to be the same as the net asset value per unit on that working day, but thereafter the unit price will continue to grow in line with the EGR of that fund.

The company may also suspend the smoothing of the unit price for a period of consecutive days to protect the With-Profits Fund, and the interests of all our with-profits policyholders. In this situation the unit price would be adjusted to be the same as the net asset value per unit on that working day, and thereafter will continue to move in line with the net asset value per unit until the suspension of smoothing is lifted.

1.3.2 Net asset value

1.3.2.1 Overview of net asset value

Net asset value (equivalent to asset share) is calculated as the accumulation of all items of income and outgo that are relevant to each policy type:

Income comprises credits for:	Premiums (purchase units) Investment return (including unrealised gains) Past excess surplus distributions of the Estate for eligible policies
Outgo comprises charges for:	Tax, including an allowance for tax on unrealised gains Guarantees and smoothing Mortality and morbidity (where relevant) Shareholder profit transfers (where relevant) Expenses (net of any tax relief) Charges and/or commission (deducted by units or unit price) Payments (including regular withdrawals, full or partial surrenders or switches)

Further detail on the components of the income and charges is included below.

1.3.2.2 Investment return

In accordance with policy provisions, the net asset value is credited with the investment return (including unrealised capital appreciation or depreciation) earned on the relevant asset pool over each month. Hence, net asset value is not credited with any part of the investment return earned on the Estate. The range of asset pools is described in paragraphs 2.1 and 2.3.5.

1.3.2.3 Tax

For life assurance business, tax is payable on investment income and capital gains but is partially offset by tax relief on relevant expenses. Tax is charged to net asset values for life assurance product lines in the same way.

For approved pensions business, investment income and gains are not subject to UK taxation and likewise expenses are not relieved (except to the extent that they form part of shareholder profit on that business). However, there may be some with-holding tax paid on overseas investment income the impact of which can be reduced by tax relief.

PAC is assessed for tax as a single shareholder owned entity and the tax apportioned to sub-funds fairly, subject to the requirements that the amounts charged to each of the WPSF and DCPSF are not greater than those which would be charged if each sub-fund individually comprised the entire with-profits fund of a UK proprietary life insurance company.

Where applicable, tax is charged to PruFund net asset values through the net investment return, i.e. a deduction is made from the gross investment return in respect of the expected tax payable. This approach requires assumptions to be made about the deferral of any tax that might apply on realisation. These assumptions are reviewed on an annual basis or more regularly if required. Any difference between the assumed tax and the actual tax payable will be paid by the Estate.

The tax rates assumed in calculating net asset values will be those applicable at the point the investment return is earned. However, should a significant change in tax rates or the tax regime occur which would result in a material and unfair transfer of value between policyholders and the Estate or between different generations of policyholder then we may make an adjustment to tax charged to net asset values historically.

1.3.2.4 Guarantees and smoothing

The cumulative smoothing profits and losses within the WPF are monitored through various bonus smoothing accounts, all maintained within the Estate. These accounts are designed to reflect the impact of smoothing mechanisms across different types of business and products.

For the PruFund Range of Funds, different bonus smoothing accounts are maintained as necessary to reflect the different types of PruFund business (e.g. UK and non-UK business) and, where appropriate, different smoothing mechanisms (e.g. Future+ PruFund business that has been adapted to be appropriate to the territories the business is being written into). Each of these accounts are credited with the relevant smoothing charges and adjusted for any difference between the unit prices and the net asset values per unit when units are created or cancelled due to premiums or claims.

For new PruFund business, an analysis is carried out from time to time to determine appropriate charges for smoothing and guarantees that the Board believes are reasonable and fair for each type of product, reflecting the level and type of smoothing and guarantees offered by that product. These charges are credited to the Estate, which bears the emerging costs of smoothing and guarantees. The charge is typically included in the annual management charge for PruFund business.

Deductions for guarantees on policies in-force are also reviewed from time to time, and may be adjusted in response to market conditions, asset allocation changes, or shifts in business mix, as necessary to safeguard the solvency of the With-Profits Fund or to ensure the fair treatment of customers. As such, the level of charges may increase or decrease over time.

1.3.2.5 Shareholder profit

For PruFund policies that have been written on the basis of sharing profits with the shareholder (which is all products that are not written on a "100:0" basis, for example most (non-PIA) PruFund business written before 1 April 2026), the amount, or expected amount, transferred to the shareholder in respect of the profit

credited to the policy is deducted in calculating net asset values. The basis for determining the amount to be transferred to the shareholder is described in paragraph 7.3.1.

Additional tax is payable as a consequence of the transfer of shareholder's profits out of the WPSF. This has always been charged to the Estate and it is expected that this will continue subject to the security of the sub-fund remaining satisfactory when the tax is paid (see paragraph 5.3.5).

1.3.2.6 Expenses and commission

As described in paragraphs 1.3.2.5 and 3.3.3, certain costs allocated to the WPSF are charged to the Estate and not to net asset values.

All other expenses, including commission, allocated to the WPSF are normally deducted in calculating net asset values.

However, the net impact of the charges to net asset values for expenses and for items 1.3.2.5 and 1.3.2.7 is limited as follows:

- for PruFund business, expense charges are in line with the policy-specific charges used in illustrations at point of sale
- and where expenses exceed the level of fixed or capped charges, the additional costs are met by the Estate.

1.3.2.7 Mortality and morbidity

For certain with-profits business, a mortality charge is deducted when calculating net asset values. This charge is calculated by applying a mortality rate to the excess of the benefit on death over the current value of the policy. Any difference between the aggregate mortality charge and the cost of death claims each year accrues to the Estate. A similar approach applies for morbidity costs.

Section 2 – Investment strategy

2.1 Introduction

In this section we describe the significant aspects of our investment strategy, including the use of asset pools, which may consist either of physically separate assets or of notionally separate assets (also known as “hypothecated” asset pools), consisting of a different mix of the classes of assets held in a sub-fund.

Recent and historical information on the asset mix of the WPSF is available from our website pru.co.uk/ppfm

2.2 Principles

2.2.1 The Board is responsible for setting the investment strategy of the company, and manages this strategy as part of the management of the overall risk level of the company and the With-Profits Fund. It determines investment policies for each asset pool that are compatible with the overall strategy and with the maintenance of the ongoing solvency of the With-Profits Fund. The overall risk management procedure is described in section G.

2.2.2 The company's investment strategy is to seek to secure the highest total return (allowing for the effect of taxation and investment expenses) whilst:

- maintaining an acceptable overall risk level (having regard to the currency, nature and outstanding duration of the liabilities) for the With-Profits Fund
- maintaining an appropriate and broad mix of suitable investments
- and protecting appropriately the relative interests of all groups of policyholders.

2.2.3 The company's investment strategy permits the use of any investment instrument, including derivatives, provided the type has been approved by the Board, as recorded in the Investment Management Agreements between the company and its investment managers applicable from time to time.

2.2.4 The company seeks to include all with-profits policies in a common asset pool wherever it is appropriate for them to share a common investment policy. For the majority of products a single common asset pool is appropriate but the Board may decide that certain products require a separate pool, for example:

- to generate a different asset mix
- to support a specific product feature
- to support a product expressed in a different currency
- or where required by legislation.

2.2.5 No investment strategy relies on assets outside of the asset pool unless their utilisation has been formally agreed by the Board.

2.2.6 All assets of the WPSF and the Defined Charge Participating Sub-Fund (DCPSF), other than any investments identified in paragraph 2.3.3, would normally be available to be traded.

2.3 Practices

2.3.1 The company reviews investment practices and policies at least annually and the Board approves any changes. The documentation supporting investment practices include:

- a list of approved types of investment (including types of derivatives)
- benchmark asset mixes for each asset pool, including specific tactical asset allocation mandates
- permitted variations in asset mix for operational reasons
- limitations on credit risk
- limitations on counterparty exposures
- and limitations on exposure to sectors or companies that do not align with our stewardship and sustainability policies, such as thermal coal and tobacco.

The asset mix and limits are set in accordance with the sub-fund's risk appetite as agreed by the Board.

If the WPSF was operating materially outside of its risk appetite, the Board would expect to take a range of management actions as necessary to protect the fund in extreme investment conditions (e.g. increasing the proportion of lower risk assets such as fixed interest stocks and cash, or increasing the credit quality of the fixed interest assets, in various asset pools).

Derivatives are used for the purposes of Efficient Portfolio Management or reduction in investment risk. Typically, the main uses are of:

- exchange traded futures to implement changes in asset mix, including tactical deviations from the strategic asset mix
- options and futures to help match the liabilities arising from guarantee costs
- and currency forwards to reduce the exchange rate exposure arising from holding overseas assets.

Investment in any new or novel investment instruments, or in any new country, which is proposed by the investment managers, requires Board approval prior to implementation.

2.3.2 As noted in principle 2.2.2, the company seeks to generate the highest possible return (net of expenses and tax, etc) over a time frame appropriate to the nature of products in each asset pool whilst maintaining an acceptable level of risk in the fund over the medium to long-term. It seeks to do this by investing in a highly diversified portfolio of UK and overseas assets. This policy aims to avoid large losses connected with default or bankruptcy of an individual company and also generates country diversification. The assets may include any available assets which enhance the risk/return profile and will vary according to the nature of the asset pool; they will typically consist mainly of public equity and bond investments, but also include less liquid investments such as real estate or private equity and debt.

The mix of assets held also takes account of the need to maintain adequate liquidity within the sub-funds. Liquidity is monitored on an ongoing basis to ensure the cash-flow requirements of the funds are met.

The investments will not contain shares in M&G plc, but may contain shares in its investment management subsidiary companies.

From time to time the fund may lend its assets for a fee, subject to receipt of appropriate collateral from the borrower. Such lending activity is carried out subject to appropriate documentation between the fund and relevant parties (typically investment managers and lending agents). PAC is responsible for overseeing both the lending activity as well as the adherence of all parties to the agreements.

2.3.3 There are no investible assets of the WPSF or the DCPSF which would not normally be traded.

2.3.4 In setting the investment risk appetite and policies for the with-profits asset pools, the Board does not rely on assets held outside the pool except that:

- the investment policy for the WPSF with-profits pools have regard to the availability of shareholder resources as described in paragraph 5.3.6
- and the DCPSF investment policy relies on capital support from an appropriate proportion of the Estate.

2.3.5 A separate asset pool will be established when there is a legal requirement or when the company identifies policies for which achievement of its overall acceptable risk level requires a significantly different asset mix. Any with-profits policyholder whose policy is not credited with the returns on the main WPSF asset pool has been informed of the asset pool backing the policy.

Separate asset pools are held as appropriate to the different nature of the liabilities (e.g. with-profits, non-profit, unit-linked) and, usually, for liabilities in each different currency.

Assets backing most traditional with-profits and policies invested in the PruFund Growth fund series are held within the main WPSF asset pool (which is denominated in Pounds Sterling). Separate asset pools are operated for:

- certain with-profits products which have a more cautious investment policy than the main WPSF asset policy (e.g. the PruFund Cautious Funds from the PruFund Range of Funds)

- the range of Risk Managed PruFund Funds, where the asset mix is determined primarily with the aim of maximising the returns over the medium to long term (5 to 10 years or more) for a pre-determined risk profile. The risk profile of these funds is specified in the fund literature and normally is measured by using long term volatility limits.
- certain with-profits products which have an investment strategy that focuses on Environmental, Social and Governance (ESG) factors (e.g. the PruFund Planet Funds from the PruFund Range of Funds)
- non-profit non-annuity, non-profit annuity and CMWP liabilities within the WPSF, which are backed by a combination of government, corporate and other bonds that, depending on the product, match the duration of the cashflows of the guaranteed payout values
- assets backing the cost of guarantees and other liabilities on with-profits products
- and assets backing the Estate.

For the non ELAS business in the DCPSF, there are four asset pools relating to liabilities denominated in the Euro and the US Dollar, covering Offshore and Future+ business. DCPSF liabilities denominated in Sterling are backed by assets hypothecated from the WPSF.

The WPSF and DCPSF contain some hypothecated asset pools. The reason why we may use hypothecated asset pools is that where an asset pool is relatively small, the difficulties in obtaining a suitably diversified portfolio of actual assets, and the disproportionately high costs of administering a separate pool, mean that it is beneficial to hypothecate these assets as part of the main WPSF/DCPSF pool rather than hold them separately. However, investment returns for a hypothecated asset pool are calculated based on the asset mix that would apply if these assets were actually a separate pool.

2.3.6 A model is used to identify the range of asset mixes that would be consistent with the risk appetite of the WPSF (see section G) which has been set by the Board. The model allows for all significant types of investment risk, including mis-matching risk, market and credit risk, and risks associated with ESG factors.

Section 3 – Business risks

3.1 Introduction

The With-Profits Fund is exposed to business risk, which is defined as all risks (and rewards) of the long-term business other than those connected to investment returns (which are addressed in section 2). Business risks associated with new business volumes are detailed in section 6.

Business risks may arise from a range of factors, including changes in the economic and/or regulatory environment, demographic changes, product design features (e.g. guarantees), selling and marketing practices and currency and geopolitical risks. Depending on the product design and the agreed approach to risk sharing, these risks may be borne by the shareholder, the Estate or certain with-profits policyholders. Material or significant business risks for the With-Profits Fund are set out in this section, along with the actions that are taken to manage and control these risks to protect the security of the With-Profits Fund and to limit any adverse impact on with-profits policies. The extent to which with-profits policies are exposed to these risks will inevitably change over time.

3.2 Principles

3.2.1 The Board is responsible for the control of business risks within the management of the overall risk level of the company and for the maintenance of the ongoing solvency of the With-Profits Fund. The overall risk management procedure is described in section G.

3.2.2 The Board seeks to ensure that:

- all material or significant risks are identified
- an appropriate charge is made for all significant risks
- and the sub-fund bearing a particular business risk receives such charges and any profits or losses arising from that business risk.

3.3 Practices

3.3.1 The Board considers the following when deciding on whether to accept a business risk in the With-Profits Fund:

- the risk capacity of the With-Profits Fund (as described in section G)
- the potential rewards to policyholders and the shareholder
- the possible impacts on different groups of policyholders
- and regulatory requirements

3.3.2 The Board determines whether profits and losses from business risks are to be allocated to the shareholder, the Estate or to with-profits policyholders. PruFund policyholders pay a fixed charge and therefore are not exposed to profits or losses arising from business risks.

3.3.3 Profits and losses from business risks allocated to the With-Profits Fund are managed to limit the impact on the Estate/ policyholders. The With-Profits Fund is currently exposed to the following key business risks;

- Market movements due to holding a high proportion of real assets to back smoothed liabilities which impact smoothing profits and losses. For PruFund business this is managed through Unit Price Adjustments and the ability to suspend smoothing of, or reset unit prices as described in section 1.3.1.2.
- Mortality risk arising from with-profits business. This is managed through the new business underwriting process and through regular investigations of mortality trends. Profit and losses arise from any difference between the amount charged to asset shares and the actual mortality cost incurred.
- Cost of guarantees from WPSF and DCPSF business. Profits and losses arise from any difference between the amount charged to policyholders' net asset values and the actual cost of guarantees. The With-Profits Fund currently has exposure to:
 - guaranteed annuity rates although derivatives have been purchased to reduce the impact of any substantial reduction in fixed interest yields on the cost

- guaranteed minimum bonus rates on some group cash accumulation business at 4.75% p.a., 2.5% p.a. or 0.01% p.a. depending on when premiums were paid
- and guaranteed minimum bonus rates on former SALAS business of 0.1%p.a. or 4% p.a. depending on when units were purchased
- and guaranteed minimum benefits on CMWP products.
- Expense risk which is controlled as part of the company’s budgeting process, but may also increase as a result of poor persistency or where fewer new policies are written compared to those claiming. Expense risk in respect of certain products (such as business written in the DCPSF, CMWP, and PruFund business written after 1 April 2026) is borne by the shareholder.
- UK non-profit business written in the WPSF (mainly immediate annuities and term assurance, but also some whole of life, endowment assurance and deferred annuity business). This risk is managed through the selection of assets that closely match the nature of liabilities. The main risks from non-profit annuity business are:
 - a higher than anticipated increase in life expectancy for annuitants
 - a higher than anticipated default rate on the associated assets (mainly bonds)
 - or a widening of credit spreads on the associated assets
- Regulatory breaches and operational risks including product mis-selling or the issue of misleading literature. A Parental Support Arrangement (see paragraph 3.3.4 below) is in place to allow PAC to meet its obligations under the PAC personal pensions mis-selling review without impacting the pay-out values of certain WPSF policies. Operational risk on CMWP, and PruFund business written after 1 April 2026, is borne by the shareholder
- Group Risk to which exposure is limited because the With-Profits Fund is administered in many respects in isolation from other business in PAC.

Profits and losses arising from smoothing, guarantees and any difference between the amount charged to asset shares for mortality risk and the actual mortality cost incurred for with-profits business accrue to the Estate.

3.3.4 As part of the management of PAC’s risks in respect of pension mis-selling costs, PAC and M&G plc have entered into a legally enforceable Parental Support Arrangement (PSA) under which M&G plc has committed to provide PAC with capital support in the event of the solvency of either of PAC’s With-Profits Fund or ‘Shareholder Fund’ (that part of PAC’s business, including subsidiaries, that is not within the WPF) falling to 105% of its Solvency II capital requirement, with each fund being assessed on an internal stand-alone basis. The capital support in respect of the With-Profits Fund is intended to allow PAC to meet its obligations under the PAC Pension mis-selling cost assurance for with-profits business (see paragraph 5.3.6) and is partially secured against collateral held elsewhere in M&G plc’s group of companies. The secured element of the support commitment can also be drawn upon to support PAC’s Shareholder Fund if certain triggers are met (in which case, PAC would be expected to demonstrate it can still meet its obligations under the Pension mis-selling cost assurance). The PSA does not place any obligation on PAC to repay any support it receives from M&G plc, however, support could potentially be returned to M&G plc provided this did not prevent PAC from meeting its obligations under the PAC Pension mis-selling cost assurance, or result in a trigger for drawdown of the support being breached.

The aggregate amount of support under the PSA mirrors the PAC Pension mis-selling cost assurance for with-profits business, and both the secured and unsecured elements increase or run-off in line with the PAC Pension mis-selling cost assurance. The PSA would terminate if PAC ceased to be part of the same group as M&G plc. In this event, PAC and M&G plc would use best endeavours to secure alternative arrangements, so that PAC was reasonably satisfied that appropriate capital support will be available or that it will be appropriately capitalised, such that it could reasonably be expected to meet its obligations under the PAC Pension mis-selling cost assurance.

Section 4 – Charges and expenses

4.1 Introduction

In this section we describe the way in which we allocate expenses and apply charges to our with-profits business.

4.2 Principles

4.2.1 The overall aim of the expense charging and allocation methodology is to seek to ensure that all expense allocations are fair between policyholders and shareholders, between different sub-funds and between different groups of policyholders.

4.2.2 The principle underlying the company's expense allocation methods is that all expenses should be allocated on a consistent basis according to the nature of the activity or where the resulting benefit is expected to arise.

4.2.3 Any significant change to our bases and methods of expense allocation and apportionment, or of exercising discretion to apply expenses to particular categories of business, would be made only if consistent with the above Principles.

4.3 Practices

4.3.1 Total PAC costs are allocated to sub-funds and product groups using methods that ensure that each sub-fund and product group receives all of its direct expenses and an appropriate share of all other expenses, including overhead expenses. Any significant change to our expense allocation methods would be approved by the Chief Actuary, the With-Profits Actuary and the Chief Financial Officer of PAC.

4.3.2 Paragraphs 1.3.2.6 and 5.3.5 set out how (if at all) charges for expenses affect pay-out values.

4.3.3 PAC relies on a number of intra-group and external service providers to conduct its business. External arrangements are provided at market prices. Intra-group arrangements are provided at cost, or subject to a profit margin or target profit level that is appropriate for the risks taken by, and the capital requirements of, the service provider. Fees for investment management services are subject to a profit margin.

4.3.4 All internal and external outsourcing arrangements relevant to PAC are reviewed on a regular basis, in accordance with the Group's established policies, to ensure that service level agreements are met and that value for money is being achieved.

4.3.5 The Chief Actuary and the With-Profits Actuary review each year the fairness to each category of with-profits policy of the expense allocation and associated practices, including intra-group and external servicing and reinsurance agreements. In addition, the With-Profits Actuary is required to review the fairness to with-profits policyholders of any intra-group asset transfers (e.g. of infrastructure) when they occur.

4.3.6 The With-Profits Committee considers the costs incurred in operating the With-Profits Fund (including an annual review of the cost apportionment methodology and results) and any other costs associated with current or future operational, transformational or investment project supported by the assets of the With-Profits Fund.

4.3.7 For some business (such as business written in the DCPSF, CMWP business and most PruFund business written on third party platforms) the costs of administering the business and the associated charges made to policyholders are excluded from the calculation of divisible profit. For this business the shareholder bears the expense risk and reward, for which it makes a charge in product pricing. In addition, for most directly-written PruFund business after 1 April 2026, an internal arrangement has been implemented between the shareholder and the WPF to the effect that the shareholder bears the expense risk and reward, with no change to the policyholders' share of divisible profit.

Section 5 – Management of the Estate

5.1 Introduction

5.1.1 An estate is the amount of money in a with-profits fund in excess of the amounts that a company expects to pay out (as described in section 1) to meet its obligations to existing policyholders. The PAC Estate, like the whole of the With-Profits Fund, belongs to the company, and the Board decides how it is used to support the with-profits business.

5.1.2 The Estate has arisen over many years from a number of sources. PAC believes that no group of in-force policyholders has made any contribution to the Estate.

5.1.3 This section describes the Estate in the WPSF, and describes how it is managed and the uses to which it may be put.

5.2 Principles

5.2.1 The company seeks to manage the Estate held in the WPSF so that it continues to provide adequate working capital for the future security and ongoing solvency of the With-Profits Fund.

5.2.2 The Board manages the overall business having regard to the size of the Estate. This reflects the Estate's role as the working capital of the With-Profits Fund which largely determines the risk capacity of the fund. The Estate absorbs, at least in the short term, the impact of any substantial changes affecting the With-Profits Fund. There is no specific target for the size of the Estate.

5.3 Practices

5.3.1 Whilst the With-Profits Fund remains open and the Estate remains fully utilised in supporting current and expected future new business, PAC does not consider that policyholders have any expectation of a distribution of the Estate, other than through the normal process of smoothing and meeting guarantees in adverse investment conditions. Accordingly, PAC is not constrained in its use of the Estate to support new business written on the basis described in section 6 by a requirement to take into

account the prospect that existing policyholders might otherwise have of receiving a distribution, or a greater distribution, from the Estate. In setting risk appetite and in its approach to the cost of guarantees, PAC is similarly not required to take into account the prospect of existing policyholders receiving a distribution out of the Estate.

5.3.2 If, in the opinion of the Board, the WPSF's Estate was no longer fully utilised in supporting current and expected future new business, then an "excess surplus" would exist in the sub-fund. In such circumstances, the Board would comply with the insurance company regulations regarding the treatment of excess surplus that were in-force at the time the excess surplus arose. The current regulations state that if a firm has a with-profits fund containing an excess surplus, and to retain that surplus would be a breach of the FCA's and PRA's Principle 6 (Customers' interests), then the firm should make a distribution from that with-profits fund. Any distribution could be permanent or subject to clawback. If the WPSF was operating materially outside of its risk appetite, the Board may exercise its discretion to address this. The clawback of excess surplus previously distributed to non-PruFund with-profits policyholders would be one of the actions that could be taken. Whilst former SALAS policyholders are invested in the WPSF they are not eligible for distributions from the Estate.

If the With-Profits Fund were to close to new with-profits business then this is unlikely to lead to any immediate reduction in the requirement to maintain the Estate as, in such circumstances, it is likely that it would be fully utilised as working capital to support the in-force business. If the With-Profits Fund were to close to new with-profits business, we would review our practices to ensure the continuing fair treatment of remaining with-profits policyholders.

5.3.3 The Estate currently supports the with-profits business in-force, and the new with-profits business being written in the With-Profits Fund on the basis described in section 6, by:

- providing the benefits associated with smoothing and guarantees

- meeting any difference between actual shareholder transfers and the charges levied in respect of these transfers in respect of most PruFund business written directly in the WPSF prior to 1 April 2026, and in respect of certain accumulating with-profits business with capped charges
- meeting any expenses in excess of fixed or capped charges or amounts applied to asset shares, as discussed in section 1.3.2.6
- permitting investment flexibility for the sub-fund's assets
- and meeting the regulatory capital requirements, which demonstrate solvency.

Transfers to or from the Estate occur every year as part of the normal process of smoothing pay-out values; larger transfers from the Estate may occur as a result of meeting guarantees in adverse investment conditions.

In return for the support the DCPSF receives from the Estate (see C2.2) the DCPSF pays the Estate an annual charge.

5.3.4 The Estate may also be used for any other purposes as considered appropriate by the Board. This may include implementing inter-fund transactions with the other sub-funds which are appropriately priced and absorbing the costs of significant events, such as a fundamental change in its long-term business. The costs of fundamental change may include investment in new technology, redundancy and restructuring costs, regulatory and legal change and the funding of other appropriate activities related to long-term insurance, including acquisitions.

5.3.5 Currently, the Estate bears the following costs:

- the additional tax payable as a result of the distribution to the shareholder of their part of the WPSF divisible profit, as permitted by insurance company regulations, (see paragraph 1.3.2.5.)
- in respect of business issued by Scottish Amicable Life plc, any cost of shareholder transfers in excess of the difference between the level of charge deducted and the level of expenses incurred
- and any difference between the assumed tax and the actual tax payable (see paragraph 1.3.2.3.).

These items will continue to be charged to the Estate only for as long as the security of the sub-fund remains satisfactory at the time the cost is paid.

5.3.6 The Board decided that the costs associated with the PAC personal pensions mis-selling review should be met from the Estate. As these costs were deemed unusual the Board determined that they should not impact the pay-out values of WPSF policyholders. This led to the company establishing the PAC Pensions mis-selling cost assurance, ensuring that the resulting reduction in the Estate would not impact the bonus or investment policy for WPSF policies. If pay-out values were impacted, the company would make available support to the WPSF from shareholder resources for as long as the situation continued so as to ensure that WPSF policyholders were not disadvantaged.

The assurance was designed to protect both existing WPSF policyholders at the date it was announced, and policyholders who subsequently purchased policies while the pension mis-selling review was continuing. Therefore the assurance will continue to apply to any WPSF policy in-force as at 31 December 2003, both for premiums paid before 1 January 2004 and for subsequent regular premiums (including future fixed, retail price index or salary-related increases and Department for Work and Pensions rebates).

The assurance does not apply to new WPSF business issued since 1 January 2004. New business in this context consists of new policies, new members to existing pension schemes plus regular and single premium top-ups, transfers and switches to existing arrangements.

The amount of capital support available under the terms of the assurance will reduce over time as the company pays claims on the policies covered by the assurance.

The bonus and investment policy for each type of WPSF with-profits policy that was written both before and after the assurance being given is currently the same irrespective of whether or not the assurance applies. Hence removal of the assurance for new business has had no impact on policyholder returns and this is expected to continue for the foreseeable future.

5.3.7 The investment strategy for the Estate, excluding any assets which would not normally be traded (see paragraph 2.3.3), is determined in accordance with the overall investment strategy (see section 2). The Estate currently has a different asset mix to that of the assets backing with-profits policies. This is to help meet guarantees and maintain regulatory solvency in adverse market conditions. The asset mix of the Estate is regularly reviewed to ensure it remains appropriate.

5.3.8 There is no specific target for the size of the Estate. However, a significant reduction in the size of the Estate as a proportion of the With-Profits Fund, or a significant increase in the With-Profits Fund's regulatory capital requirements as a proportion of the Estate, would be likely to result in the WPSF being materially outside of its risk appetite. The Board may choose to exercise its discretion to address this. For example:

- vary the smoothing limits or suspend smoothing as described in paragraph 1.3.1.2
- reduce bonuses for non-PruFund business
- review the application of Market Value Reductions (MVRs) for non-PruFund business
- review the surrender basis for non-PruFund business
- increase the charges for guarantees on in-force business as described in paragraph 1.3.2.4
- alter the arrangement whereby additional tax payable as a consequence of the transfer of shareholder profits out of the WPSF is charged to the Estate as described in paragraph 1.3.2.5
- retain miscellaneous surplus normally credited to non-PruFund business
- increase the proportion of fixed interest stocks and cash, or improving the credit quality of fixed interest assets) as described in paragraph 2.3.1
- clawback previously distributed excess surplus as described in paragraph 5.3.2
- or restrict new business volumes as described in paragraph 6.3.4

Section 6 – Volumes of new business and arrangements on stopping new business

6.1 Introduction

6.1.1 PAC is currently open to new with-profits business, which may be written in the UK or overseas in either the WPSF or the DCPSF.

6.1.2 In this section we describe the principles and practices that we adhere to when writing new with-profits business which includes the way in which we review limits on the quantity and type of new business accepted and the actions we would take if we ceased to take on a significant amount of new business.

6.2 Principles

6.2.1 The Board manages the types and volumes of new business accepted as part of its management of the overall risk level of the company and for the maintenance of the ongoing solvency of the With-Profits Fund.

6.2.2 In the event that the With-Profits Fund became closed to with-profits business or the volume of new with-profits business became negligible, it would be necessary to review the position and put in place a plan for the management of the Estate over the long term. Any proposal for the reattribution, or the ultimate distribution, of any part of the Estate between policyholders and shareholders would need to take into account all the relevant factors and claims on the Estate.

6.3 Practices

6.3.1 PAC seeks to write new with-profits business in the WPSF which is expected to be financially self-supporting over the lifetime of the contracts at the point the pricing assumptions are set allowing for actual acquisition costs and sales. PAC performs an annual test to ensure that this is the case. However, new business may temporarily not be self-supporting following a material change in the business environment which is outside of the firm's control. This reflects the fact that business cannot necessarily be re-priced immediately, and that the change in business environment (for example a market fall) may, in good faith, be believed to only be temporary.

6.3.2 Where the business is not expected to be financially self-supporting, the shareholder will make an appropriate contribution to the WPSF. PAC follows an approach to the minimum technical pricing of open product lines to ensure that the interests of its policyholders and the shareholder are protected at the point of sale. Given this approach, when writing new business, PAC is not constrained by any requirement to take into account the prospect that existing policyholders might otherwise have of receiving a distribution, or a greater distribution, from the Estate in the event of an excess surplus arising in the WPSF.

6.3.3 In considering whether new business is self-supporting, it should be noted that, where the tax liability on shareholder transfers is paid by the Estate (see paragraph 5.3.5), it is excluded from the test to determine the supportability of new business.

6.3.4 As explained in section G, the Board manages the types and maximum volumes of new with-profits business accepted by PAC and its subsidiary, PIA, having regard to the WPSF's risk appetite. If the WPSF was operating materially outside of its risk appetite, the Board may exercise its discretion to address this. Reviewing the types and volumes of new business being accepted by the With-Profits Fund, including business reinsured in from PIA, would typically be one of the actions that would be taken.

6.3.5 There is no immediate prospect of the company closing the WPSF to new with-profits business. Although it is not easy to predict the circumstances under which such a decision would become appropriate, it might occur if the volume of new business declined to a negligible level and there was no apparent prospect of the volume recovering. As detailed in section 5, if the WPSF were too close to new with-profits business we would review our practices to ensure the continuing fair treatment of remaining with-profits policyholders. However, it is unlikely that this would lead to any immediate reduction in the requirement to maintain the Estate as, in such circumstances, it is likely that it would be fully utilised as working capital to support the in-force business.

6.3.6 The Board may impose a limit on the size of investments held by one individual policyholder (which could be an institutional policyholder), if necessary to protect the With-Profits Fund.

Section 7 – Equity between with-profits policyholders and the shareholder

7.1 Introduction

7.1.1 As with all proprietary with-profits sub-funds, the normal operation of the WPSF results in conflicts of interest arising between policyholders and the shareholder, and between different groups of policyholders, and PAC seeks to resolve these conflicts of interest fairly. While the company remains open, and the Estate remains fully utilised in supporting current and expected future new business, PAC recognises the following interests:

- policyholders' interests in relation to the maintenance of their reasonable benefit expectations, including the security of their guaranteed benefits
- and shareholder interests in the continuing operation of the business, including writing new business, and managing the market, credit, insurance and other risks associated with that business.

7.1.2 This section of the PPFM describes how the Board balances the interests in the WPSF of with-profits policyholders and the shareholder. Further information on how the Board manages conflicts of interest in relation to the Estate, and the writing of new business in the WPSF, is given in sections 5 and 6 respectively.

7.1.3 In managing conflicts of interest between with-profits policyholders and the shareholder, PAC's philosophy is that policyholders' reasonable expectations are created and influenced primarily by policy documents and other relevant materials that are published by PAC. Policyholders' reasonable expectations may therefore evolve over time but, once created, the Board considers that the WPSF should be operated in a way that has regard to those expectations.

7.1.4 As set out in section C2.2, profits of the DCPSF are attributable wholly to DCPSF policyholders, and profits of the NPSF are wholly attributable to the shareholder. Therefore, issues of equity between policyholders and the shareholder for these sub-funds are largely confined to the equity of the expense apportionment (see section 4).

7.2 Principles

7.2.1 The company seeks to treat all customers fairly at all times, balancing any conflicting interests that arise between the various groups and generations of policyholders or between policyholders and shareholders.

7.2.2 The proportion, or minimum proportion, of the relevant divisible profit (as defined in section C2) to be allocated to each type of with-profits policy is specified via the sub-fund structure, as described in section C. The actual proportion applicable in the WPSF may be varied from year to year, any substantial overall reduction in the policyholders' proportion being subject to specific regulatory requirements.

7.3 Practices

7.3.1 For relevant PruFund business (generally business written directly with PAC, rather than via a third-party platform) bonuses and pay-out values are determined as set out in section 1 and the divisible profits are calculated, after any transfer to a contingency fund, as an amount equal to the cost of bonuses on the regulatory reporting basis plus the associated shareholder transfer where relevant. For this purpose:

- the cost of bonus for PruFund business (where applicable) is the difference between the smoothed claim value and the premiums invested
- and the cost of bonus is adjusted for any difference between the actual cost and the expected cost of the previous year's bonuses.

Taxation on all With-Profits Fund assets is provided for (and in due course paid from) the appropriate sub-fund before determination of the divisible profit.

The distribution to the shareholder of their part of the WPSF divisible profit is determined based on the cost of bonus above. The additional tax payable by the With-Profits Fund as a result of the distribution of profit to the shareholder is paid from the Estate (see paragraph 1.3.2.5).

Most PruFund business written via third-party platforms does not have a shareholder transfer associated with it (the shareholder makes a profit from this business by taking the administration expense risk in exchange for a fee). Accordingly, there is no distribution of profit to the shareholder, and no associated tax payable by the With-Profits Fund on this business.

7.3.1 If the regulators change the statutory reporting basis, which is used to calculate the cost of bonus, the impact would need to be assessed at that time. A change in the basis for calculating the cost of bonus would not normally lead to any change in the division of profits between policyholders and the shareholder; however, the allocation would be reviewed on any major change in the valuation approach.

7.3.2 The Board will take the interests of both policyholders and the shareholder into account in decisions it takes in relation to the operation of PAC's with-profits business. The Board has agreed principles that will be applied when developing new products to align interests between the parties in sharing the risks of writing with-profits business, with the intention of driving better outcomes and reducing potential conflicts between the shareholder, the Estate and with-profits policyholders.

7.3.3 As part of our duty to deliver good outcomes for with-profits customers, and to treat them fairly, the Board has determined the following:

- It may change the allocation of new non-profit business between the WPSF and the NPSF; any such amendments will not adversely affect the rights of WPSF with-profits policyholders at the time of the amendment to share in the profits from existing non-profit business then within the WPSF.
- Any transfer of assets or business out of the With-Profits Fund or between sub-funds which might affect with-profits policyholders must be at fair value (i.e. on market-related terms).

- It will consider the suitability for the With-Profits Fund of any investment proposed for the benefit of the company as a whole and only accept into the With-Profits Fund:
 - investments which, by the nature of the asset, could be a natural part of the investment portfolio (e.g. an initial investment in a new unit trust); these investments are made subject to any additional costs or risks being compensated for appropriately
 - or investment in a subsidiary where the underlying business has similar risks to insurance business which the With-Profits Fund might write directly. The aggregate size of such subsidiaries is limited by the constraints implied by the management of the overall risk level of PAC.
- PAC will seek to price new with-profits business in the WPSF such that it is expected to be financially self-supporting (as described in section 6). As is further described in section 6, where the business is not expected to be financially self-supporting, the shareholder will make an appropriate contribution to the WPSF.

7.3.4 PAC recognises that, while the consideration of investment returns and costs and charges are key factors when assessing value for money for customers, there are other factors that also need to be considered. For example, customer experience and the supporting communications we provide are also key factors that we take into account when assessing, from a customer's viewpoint, whether the overall proposition is delivering value for money for customers.

Appendix A

Summary of Abbreviations

Abbreviation	Definition
CLE	Canada Life Assurance Europe Limited
CMWP	Credit matched with-profits
COBS	Conduct of Business Sourcebook
DCPSF	Defined Charge Participating Sub-Fund
ELAS	Equitable Life Assurance Society
FCA	Financial Conduct Authority
FSA	Financial Services Authority (replaced by PRA and FCA in 2013)
MVR	Market Value Reduction
NPSF	Non-Profit Sub-Fund
PAC	The Prudential Assurance Company Limited
PAL	Prudential Annuities Limited
PANL	Prudential (AN) Limited
PIA	Prudential International Assurance plc
PPFM	Principles and Practices of Financial Management
PRA	Prudential Regulation Authority
SAL	Scottish Amicable Life plc
SALAS	Scottish Amicable Life Assurance Society
WPSF	With-Profits Sub-Fund

Glossary

Term/Phrase	Definition
“100:0” basis	100% of divisible profit is attributable to with-profits policyholders, with 0% attributed to the shareholder.
“90:10” basis	90% of divisible profit is attributable to with-profits policyholders, with 10% attributed to the shareholder.
Accumulating with-profits	<p>A form of with-profits fund where the investor buys units whose value increases in line with any declared regular bonuses and to which a final bonus may be added when the units are cashed in. This includes:</p> <ul style="list-style-type: none"> • Unitised with-profits policies where the policyholder buys units whose value increases in line with any declared regular bonuses and to which a final bonus may be added when the units are cashed in. • Cash accumulating with-profits policies where bonuses are added to policyholder contributions.
Asset share	For traditional with-profits business, this is the premiums paid, less deductions for partial encashment of benefits, expenses, guarantees, tax and other charges, plus any allocations of miscellaneous profits accumulated at the investment return achieved on the relevant assets of the With-Profits Fund.
Benchmark (asset mix)	The target fund investment position, typically expressed as the target percentages of the total asset holdings to be invested in certain asset classes such as equities and fixed interest. Often used to measure fund performance or set investment limits.
Board	The Prudential Assurance Company Limited Board of Directors is the group of individuals who are appointed in accordance with the Company’s articles of association, the Board Terms of Reference, and the M&G plc Material Subsidiary Corporate Governance Manual to represent them in overseeing management of the company. They are responsible for ensuring the company manages the With-Profits Fund in line with the Principles and Practices set out in this document.
Bonus year	Bonus rates are calculated or applied according to a Bonus year rather than a calendar year – for PruBond products the Bonus year runs from 1st March to 28th February.
Chief Actuary	The Chief Actuary is a Fellow of the Institute and Faculty of Actuaries appointed by a company to provide certain actuarial advice to the company’s Board, and fulfil various statutory duties under the regulatory reporting regime introduced on 1 January 2016.
Conventional with-profits	Conventional with-profits contracts are a type of traditional with-profits and have a basic sum assured to which bonuses are added. The basic sum assured is the minimum amount paid out on a claim.
Counterparty exposures	The risk to each party of a contract that the counterparty will not live up to its contractual obligations.

Term/Phrase	Definition
Credit matched with-profits (CMWP) products	These are products where the majority of the benefit is in guaranteed form. The products are backed by a fixed income strategy designed to closely match the guaranteed benefit payments and so limit the risk of these payments not being covered by the asset proceeds. A small discretionary bonus may be added to the pay-out value, which reflects the actual credit performance of the fixed income assets backing these products.
Defined Charge Participating	Business with explicit defined charges that are invested in the 100:0 Defined Charge Participating Sub-Fund (DCPSF). This includes with-profits annuity business originally transferred from ELAS.
Divisible profits	Profits arising that can be distributed to policyholders and, if applicable, the shareholder.
Efficient portfolio management	This is the construction of an asset portfolio so as to achieve the maximum expected return for a given level of risk.
Endowment assurance	A life assurance policy that pays out a lump sum after a specific period of time or on the earlier death of the policyholder. An endowment assurance can be used as a vehicle for saving or as a way to repay a mortgage.
Excess Surplus	Additional funds in the Estate that the PAC Board decides is not required as working capital, and that it would be fair to share with eligible policyholders.
Final Bonus (also known as Terminal or Additional Bonus)	A bonus which may be applied to traditional with-profits products on exit from the Fund. Final bonus is not guaranteed and can be removed at any time.
Individual Guidance	Specific guidance from the regulator that applies to a particular individual or company, reflecting their particular circumstances, rather than general guidance relating to all (relevant) individuals or companies
Industrial Branch (IB) Business	Business sold door-to-door by agents who collected the premium in cash. Generally whole of life or endowment policies. These products are no longer sold.
Inherited estate	An inherited estate is the amount of money in a with-profits fund in excess of the amounts that a company expects to pay out to meet its obligations to existing policyholders. In respect of with-profits policyholders, these latter amounts are equal to the policyholders' accumulated asset shares, plus any additional payments that may be required by way of smoothing or to meet guarantees.
Investment Return	The return achieved (profits and losses) from an investment. Often used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments.

Term/Phrase	Definition
Market Value Reduction (MVR)	When money is taken out of an accumulating with-profits policy, an adjustment may be made to the value of the withdrawal if the value of the underlying assets (asset share) is less than the value of the policy including bonuses (claim value). This adjustment is known as a market value reduction.
Mortality costs	The cost of providing life cover. The excess of the benefit on death over the current value of the policy multiplied by the probability of death.
Net asset value	The unsmoothed fund value for PruFund investments
Net asset value per unit	The unsmoothed unit price for PruFund investments.
Ordinary Branch (OB) Business	Business for which premiums are paid by cheque, direct debit or other banking means and not with a cash payment (as opposed to Industrial Branch business).
Principles	The Principles define the overarching standards adopted in managing PAC's with-profits business to maintain the long-term solvency of the Fund for current and future policyholders and describe the approach used: <ul style="list-style-type: none"> • in meeting PAC's duty to with-profits policyholders • and in responding to longer-term changes in the business and economic environment.
Practices	The Practices describe the approach used: <ul style="list-style-type: none"> • in managing PAC's with-profits business • and in responding to changes in the business and economic environment in the shorter-term.
PruFund	A range of with-profits funds that aims to produce growth over the medium to long-term (5 to 10 years or more) while smoothing some of the ups and downs of short-term investment performance.
Regulatory Solvency	The required minimum level of assets in excess of liabilities including any required regulatory buffer that is specified by the PRA.
Regular bonus	A bonus applied on a regular basis to the policy which, once added, cannot be removed.
Risk appetite	PAC's long term target position for the strength of its With-Profits Fund, underpinning its bonus and investment policy, which in conjunction with its available working capital, defines its ability to take risk from time to time;
Risk capacity	The financial ability to take on risk.
Risk level	Measure of how much risk a firm has taken on.

Term/Phrase	Definition
Smoothing	Process used to dampen, insofar as possible, the impact of volatile experience (such as market movements) on claim values, with the aim that pay-out values progress smoothly from one year to the next.
Sourcebook (COBS)	A handbook setting out the FCA rules that apply to a firm with respect to 1) designated investment business and 2) long-term insurance business in relation to life policies.
Surrender	The early termination of an insurance product by the policyholder.
Unitised with-profits	A type of accumulating with-profits business, where the policyholder buys units whose value increases in line with any declared regular bonuses and to which a final bonus may be added when the units are cashed in.
With-Profits Actuary (WPA)	Under the supervisory regime introduced on 1 January 2005, the WPA is appointed by a company to review material relevant to the operation of the with-profits business, with the specific duty to advise the Board on the reasonableness of how discretion has been exercised in applying the PPFM and how any conflicting interests have been addressed.
With-Profits Committee (WPC)	A committee comprising at least three members, the majority of whom must be independent of the company, which provides an independent assessment of the way in which the company manages its with-profits business and how the company balances the rights and interests of policyholders and the shareholder in relation to its With-Profits Fund.
With-Profits Fund	The With-Profits Fund is the fund where PAC's with-profits business is written. This is divided into 2 sub-funds, the With-Profits Sub-Fund (WPSF), and the Defined Charge Participating Sub-Fund (DCPSF). With-profits policyholders are eligible to participate in the profits of the With-Profits Fund through discretionary distributions.
Working capital	The capital of a business which is used in its day-to-day trading operations. For a with-profits fund, the working capital is also known as the Estate.